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

## 2021 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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V. Venue for overseas trading of the Company's negotiable securities and the method to disclose overseas negotiable securities: Nil

VI. Company website: [http:// www.ccpq.com.tw](http://www.ccpq.com.tw)

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# 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 Year 2021, our business managerial strategies toward Year 2022. Please feel free to offer and do not spare your precious comments.

## I. 2021 Business Result:

### (I) 2021 Operating result of business plans

The revenue of the parent company was NTD3,407.46 million, which was approximately 11.66% lower than the 2020 revenue of NTD3,857,24 million. The Company's consolidated revenue for the 2021 was NT\$7,948.99 million which is a decrease of 2.84% from NT\$8,181.05 million in 2020. The consolidated net profit after tax for the current period is NT\$516.35 million, which is a decrease of 7.71% from the NT\$559.5 million in 2020.

A comparison of consolidated financial revenue and expenditure in 2021 and 2020.

Unit: NTD thousand; %

Item	2021	2020	Increase (decrease)	Increase (decrease) %
Operating revenue - net	7,948,998	8,181,056	-232,058	-2.84
Net gross margin	2,864,792	2,968,803	-104,011	-3.50
Gross profit rate %	36.04%	36.29%	-0.25	-
Operating expenses	2,440,903	2,547,571	-106,668	-4.19
Operating profit	423,889	421,232	2,657	0.63
Non-operating income and expense	235,351	236,408	-1,057	-0.45
Net profit before tax	659,240	657,640	1,600	0.24
After tax net profit	516,355	559,500	-43,145	-7.71

(II) 2021 consolidated budget execution status: N.A. The Company has not publicly disclosed its financial forecast.

(III) Analysis of Consolidated Financial Income/Expense and Profitability for 2021:

#### 1. Financial income and expense:

Unit: NTD thousand

Item	Amount
Operating revenue	7,948,998
Gross profit	2,864,792
Operating profit	423,889
Interest revenue	23,336
Interest expenses	35,760
Net profit before tax	659,240
After tax net profit	516,355
Earnings per share	1.74
Diluted earnings per share	1.72

#### 2. Profitability analysis:

Unit: %

Item	Proportion
ROA	4.33
ROE	7.16
Operating profit based on the percentage of paid-in capital ratio	14.22
Net income before tax based on the percentage of paid-in capital ratio	22.12
Net profit rate	6.50
Earnings per share	1.74
Diluted earnings per share	1.72

(IV) Research and development status in 2021:

1. The results of the research and development completed in 2021 are as follows
  - (1) New product registration and listing applications  
4 human drug applications and 2 animal drug applications
  - (2) New product license certification  
10 permits were obtained for medicines for humans.
2. Integrated key technology platforms (nano-nization and soft mist inhalation technology) into new dosage forms and drugs to develop a total of 2 types of products.
3. A total of 1 type of product for the treatment of respiratory virus infection was jointly developed for the API (CCSB) and preparation.
4. Developing an integration platform for new product development  
A new product development and integration platform was co-created by the Business Department (Chunghwa Yuming Healthcare Co., Ltd. Pharmaceutical Planning Division and BD Business Development Division), the Materials Department, and the Production Department in order to continue to provide new products for domestic and foreign markets.
5. Joint force in new drug research and development  
Established and integrated new special key technology platforms with partners in response to the development of new dosage forms and drugs.

II. Business plans for Year 2022 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) We upgrade our quality continually without interruption

- The Xinfeng Plant accepted subsequent plant inspection in accordance with PMDA GMP and TFDA PIC/S GMP.
- The Taichung plant accepted TFDA PIC/S GMP packaging line expansion and subsequent plant inspection.
- The Tainan Plant II passed the TFDA PIC/S GMP follow-up inspection.
- The Tainan Plant III: proposed subsequent plant inspection in accordance with TFDA PIC/S GMP.

(2) Expansion in productivity

- Filling line for injection medicines at the Xinfeng Plant.
- The Xinfeng Plant set up the automated PTP tablet packaging line.
- The Tainan Plant II set up the PMS packing line.

(3) Performances in international markets

- Integrated the related resources of CCPC affiliates to promote export sales of own-brand products and cultivate the export market for other products, including cosmetics, skincare products, health foods, veterinary drugs, food additives and others for the global sales of products made by CCPC affiliates.
- In terms of foreign foundry business, the Tainan Plant II has actively sought the cooperation case in Canada. The Canadian market registration and supply are expected to be completed in 2022. The Xinfeng II Plant specializing in manufacturing high potency (HPC) drugs for use in immunosuppressants passed the PMDA audit of Japan. Apart from exporting to Japan, active cultivation of other overseas markets is under way. Both the Xingeng Plant and Taichung Plant passed the PMDA audit of Japan. Apart from steadily exporting two lyophilized powder injection medicines to Japan, we have also actively created opportunities for cooperation in other items. The Tainan IV Plant and Japanese pharmaceutical companies have engaged in

technical cooperation and have invested in the Penem dedicated plant, which has passed inspection by PMDA (Japan) in 2021. In 2022, goods were officially supplied to the Japanese market.

(4) Performances in the animal health products

- Consolidated and continued to expand the existing product structure; provided diversified products and services to meet customers' needs and opened up new sources of revenue.
- In cooperation with academic and research institutions, provided customers with disease diagnosis, anti-pandemic feeding suggestions, and farm management one-stop services provided for optimal products.
- Launched a full promotion and expanded the strength of non-pharmaceutical product sales.
- Developed strategic alliances with other domestic veterinary pharmaceutical company to create opportunities for OEM/ODM and sales agency business to enhance market competitiveness.

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

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

- By strengthening the company image and product quality, it aims to excel hospitals confidence in CCPC/ CCPG, by which to excel the drug induction opportunities.
- Strengthened self-produced pharmaceuticals and the key product positioning and marketing plans of OTC products.
- 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.
- Developed anti-cancer drugs for product release and sales.

(2) Integrated and enhanced four channel functions:

- We intensify development toward four major channels, i.e. hospitals, clinics, health care and EC 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

- Actively engaged in cooperation pharmaceutical companies of generic drugs and manufacturers of biological agents to distribute and sell products meeting the development needs of Taiwan's pharmaceutical market and to integrate the marketing channels of existing products.
- In wholehearted efforts, we team up with Japanese counterpart Daiichi-Sankyo to market its leading brand name OTC cold medicine Shin Lulu Ace.
- Expand cooperation with Japan's Maruishi Pharmaceutical Co., Ltd. Introduce products that have been released and discuss pipeline product cooperation.
- Cooperated with world-renowned generic drug pharmaceutical company Dr. Reddy's on anti-cancer drugs. Introduced prostate cancer and breast cancer drugs. Actively expanded the cooperation scale while undergoing stable development.

- 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
- Developed PHERMPEP CO., Ltd. 360 brand management and expanded the OCT product category, and dietary supplement category. Two products, namely, Lutein and D3 products, were launched this year, substantively expanding the healthcare market.
  - Expanded CCBS' product portfolios to manufacture personal cleaning and cosmetic products.
  - In our profound culturing, we promote our leading brand names "PHERMPEP CO., LTD. 360" "Green No. 1", "Smile", "KOZI", 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.
  - Expanded the Botanist brand and Carome's cosmetic brand's market operation and cooperation, leading to substantive growth in the cosmetics channel market.
  - Signed a contract with S, a major pharmaceutical and dietary supplement company in Switzerland to act as a proxy of preconception and gynecological healthcare products.
  - Distributed Vedan AP magnetic pads and continued to manage protective brand Bracoo in order to strengthen sports health and pain relief product lines.
  - Distributed GNC dietary supplements, added the market operation of protective gear brand Bracoo and cosmetic brand Carome. The complete health and cosmetic product line items provide customers and consumers with more complete health care product choices.
3. Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd. (a subsidiary)
- (1) It primarily engages in sales promotion.
- The development and promotion of the focused product Calcium Polycarbophil Tablets was further strengthened in 2022. API and upstream supplier integration and investments continued to strengthen, leading to the realization of 15% revenue growth. Dedicated to expanding the sales of Hua-Yi-Ping and Kamistad-Gel N, the public hospitals developed high-volume and general-purpose medicines to expand the market pipeline.
  - In the sales and guaranteed supply of items through centralized purchase (including Cefaclor Sustained-release Capsules), the extensive use of centralized purchase expanded the market sales of general-purpose medicines. The development of hospitals of key lines expanded through in-depth collaboration with logistics providers and commercial companies. The progress of centralized purchase of voglibose continued to receive sustained attention.
  - In response to the rapid development and market demand of e-commerce and pharmaceutical and health products, the Suzhou Chung-hwa Chemical & pharmaceutical Industrial Co., Ltd. and the CHUNG-HWA LE HUO JIAN KANG (HK) CO., LIMITED developed two private brands and introduced three proxy brands in 2021. In the future, cross-border e-commerce operations shall continue to be expanded while moving toward the goal of becoming a major health industry.

- (2) We strengthen investment into the research & development.
  - In 2022, the official consistency evaluation approval was obtained for three items and four specifications.
  - Engaged in development and cooperation targeting the items discussed at the PAC meeting.
- (3) Continued enhancement of the enterprises
  - The co-optimization of ERP Project undertakings and reports, including GS Cloud (pharmaceuticals), Wang-Dian-Tong (e-commerce), new OA budget, and reimbursement and payment systems. Targeting incomplete modules and reports used, patching and development were carried out.
  - Continued to promote packaging automation and process formulation, and stylization in order to enhance product quality and quantity stability.
  - Realized comprehensive and refined management in 2022. Improved and optimized the existing cost assignment and structure.
4. Chunghwa Senior Care Co., Ltd. (a CCPC subsidy)
  - (1) Elderly service stations community and neighborhood care locations
    - Due to the impact of the pandemic, the expansion of six stores was completed. The target number of stores is two stations, including Tainan Station and New Taipei City 2<sup>nd</sup> Station. The goal of flagging in six metropolitans was accomplished.
    - The structural weight of home service items was gradually adjusted to enhance professional care momentum and continue to strengthen home service and professional service quality.
    - “Long-term consultants” provide one-stop services and continue to fulfill customer approachability strategies.
  - (2) Released new brand “Warm Times” intelligent recovery series.
    - Introduced Japan’s largest company “ICT REHA” rehabilitation program system with high light exposure in a single-volume day in cooperation with the Industrial Technology Research Institute (ITRI). Data algorithm was performed according to statistics and medicine in order to construct a local “AI recovery learning system.” Combining the “day series care philosophy” and “Taiwanese intelligent technology,” Taiwan’s first intelligent recovery series brand space was launched.
  - (3) Multiple care service training
    - Continued to expand and deepen talent recruitment, training, and retention; expanded the academia–university cooperation plan in Northern, Central, and Southern Taiwan.
    - Service quality and digital informatization of skills assessment
    - The industry’s first professional care service training center for expanding resources in the field of training.
  - (4) Savemore constructed a shopping platform most suitable for elders.
    - Strategically selected commodities and adjusted the existing key items and gross profit structure.
    - Expanded new cooperative manufacturers and engaged in brand cooperation, with a focus on three categories: home living, self-support, and assistive devices rental.
    - Fully grasped consumers’ cut off points to create substantive consumer behaviors. Continued to strengthen O2O integration, strengthen offline consultants’ product sales resources and knowledge, properly supplement online e-commerce products, offline catalogs, and physical display processes.
  - (5) Digital CRM launch of member’s the economic stage objectives
    - Through multiple integration channels, establish long-term and valuable

customer relationships.

- Deepened member relations, Line@ content message segments, digital CRM center deployment, convenient service portals.

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

- (1) Capacity expansion and growth undertakings: Set up new machines, improved peripheral equipment, enhanced production, enhanced production efficiency and product quality, and strengthened product image to promote sales.
- (2) Develop new product: 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.
- (3) Continuous maintenance and management of certifications: Completed ISO 9001 quality certification system and ISO 13485 medical equipment management system standard certification. Continued to maintain and execute related system operations. Boosted medical equipment design, development, and production to meet customization needs.

(II) Anticipated sales volumes and the grounds thereof

We anticipate our sales volume in Year 2022 exactly on the grounds of the business policies in Year 2021 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
<b>Human oriented injections</b>	Expressed on one thousand pieces	41,200
<b>Human oriented liquid and ointment</b>	Kg.	323,340
<b>Human oriented tablets</b>	Thousand pieces	2,411,700
<b>Animal oriented injections</b>	Expressed on one thousand pieces	706
<b>Animal oriented liquid &amp; ointment</b>	Kg.	142,670
<b>Animal oriented feed medicine additives</b>	M. T.	2,220
<b>Plastic containers</b>	M. T.	775
<b>artificial joint prosthesis</b>	piece	67,460

III. The strategies of future development amidst the exterior environment of competition, statutory environments and environment of macroeconomy:

- (I) In response to adjustment of prices of the National Health Insurance oriented medicines and the policies with link up with patents, we shall accelerate independent research & development for the sales of sales performance and shall, meanwhile, with wholehearted efforts, strive for patents and distributorship for generic pharmaceuticals in the international markets. Meanwhile, we shall intensify our capability and scales in the platforms with omnifarious and comprehensive in-depth promotion toward hospitals, clinics and drug store channels.
- (II) We shall associate ourselves with partners available in at home and abroad to accelerate promotion of pharmaceuticals oriented to rare diseases or orphan diseases, cancers, biological and such specialty drugs through efforts of development and introduction.
- (III) We positively develop or bring in users-pay health care products to expand performance in the users-pay markets.
- (IV) 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: Wang Hsien, I-Chen

Manager: Wu, Chih-Yung

Accounting Supervisor: Huang, Yi-Chun

## 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 ft<sup>2</sup>) 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 1983: Suzhou CCPC Industrial Co., Ltd. was officially incorporated. Suzhou CCPC is known as the largest Taiwan pharmaceutical pioneer landing with huge investment in China.
- August 1990: Suzhou CCPC successfully acquired GMP certification from National Pharmaceutical Supervisory Administration.
- November 2001: Suzhou CCPC successfully passed ISO9001: 2000 Quality & Quantity Management System Certification.
- November 2002: Suzhou CCPC's Research Institute was completed and satisfactorily passed ISO4001 Environmental Management System Authentication.
- April 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. Formal 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.

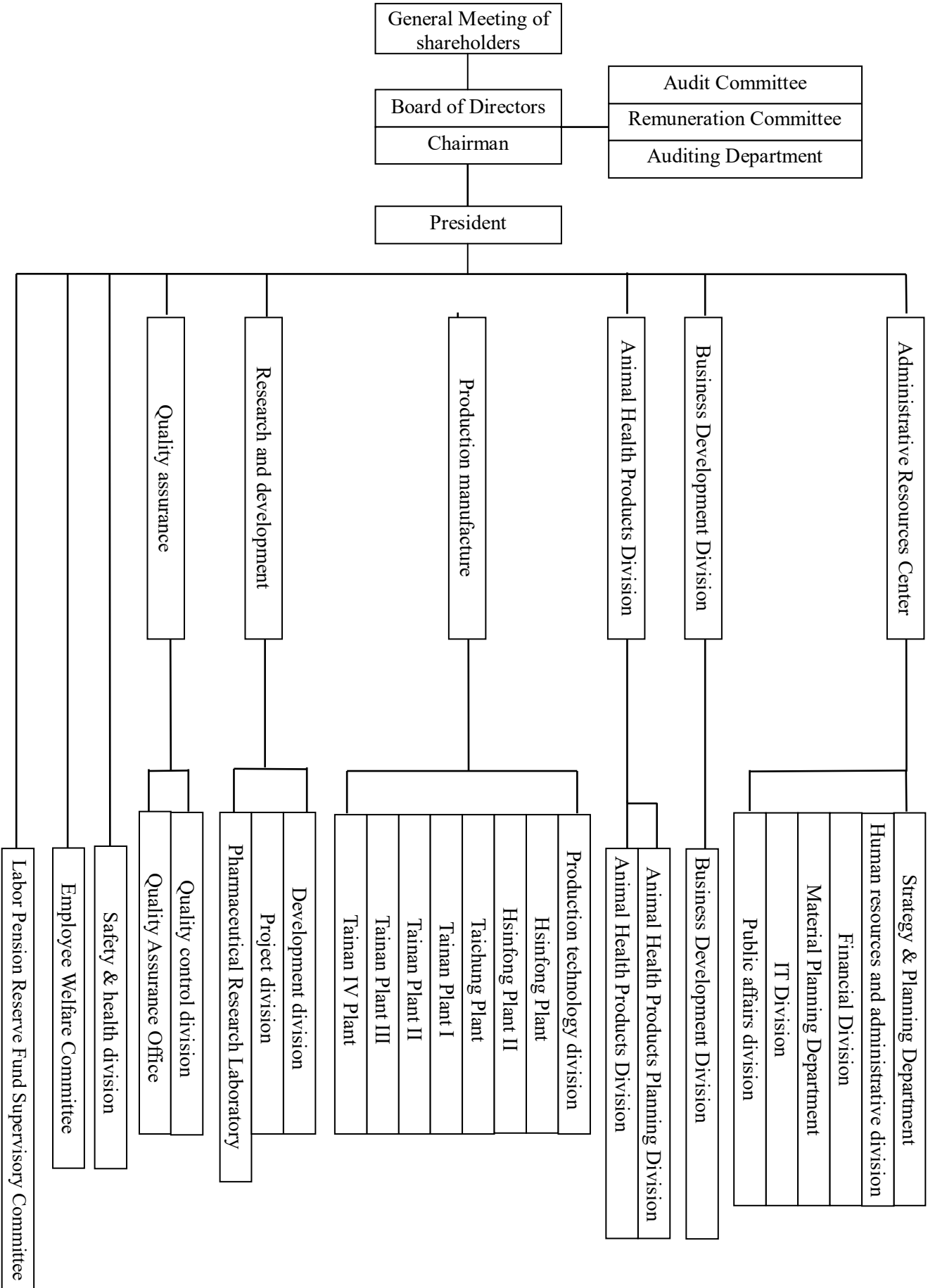
- June 2015: With the Establishment Inspection Report issued by US FDA to verify the satisfactory outcome in factory inspection, CCPC's Tainan Plant II was officially verified to satisfy US FDA standards. Pharmaceuticals manufactured by CCPC's Tainan Plant II could be marketed throughout the American 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.
- January 2017: The Xinfeng II plant and Tainan III plant surpass the Ministry of Health and Wellbeing's (TFDA) PIC/S GDP compliance assessment.
- October 2017: The medicated soap factory of the Tainan Plant complies with the MOWH GMP and the production lines passed the TFDA PIC/S GMP compliance evaluation.
- December 2018: Groundbreaking and project initiation of the factory in the Tainan IV Plant for producing the solid oral dosage forms of Penem invested in collaboration with Maruho of Japan.
- Marh 2019: The production line for producing the solid oral dosage forms of tumor special drugs in the Xinfeng Plant passed The TFDA PIC/S GMP compliance evaluation.  
The Tainan I Plant passed the GMP compliance (PIC/S GMP standards) of SFDA, the health authority of Saudi Arabia.
- June 2020: Taichung Plant passed cGMP certification by the Council of Agriculture.
- October 2021: The Tainan IV Plant obtained PIC/S GMP certification of the Ministry of Health and Welfare.

# Three. Corporate Governance

## I. Organizational structure:

### (I) Organization chart:

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



(II) Business affairs operated by the key departments:

Audit Committee:	It primarily operates for the purposes of overseeing the financial statements into an appropriate presentation, independence of the certifying Certified Public Accountants, effective enforcement of the internal control system, sound law compliance and sound control over existent or potential risks.
Remuneration Committee:	In a professional and objective stance, it evaluates the policies and systems of the remuneration and salaries to the Company's directors and managerial officers and 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.
Public affairs division:	Responsible for public affairs of the government agencies and private groups, as well as clinical experiments, NHI regulations, and related undertakings after obtaining permits.
Business Development Division	Business linked up with development of international markets oriented pharmaceuticals, commissioned manufacture of pharmaceuticals oriented to domestic markets.
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.
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, Cephalosporin, sterile injectable powder
Tainan Plant IV:	The Penem preparation plant's main human products include oral film-coated tablets and granules.
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.
Safety & health division:	Commanded and supervised all employees to clearly understand the responsibility for implementing OH&S management by law.
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 Managers, and the heads of various departments and branches:  
(I) Profiles of Directors

March 28, 2022 Unit: shares

Title Name	Nationality and Registry	Gender/age	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		Remarks
						Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	
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%	42,053,137	14.11%	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 Hsien, I-Chen	Republic of China	Female 50-60	2020.11.05	3 years	2020.11.05	628,177	0.21%	577	0.00%	4,730,787	1.59%	11,874,000	3.98%	Department of Philosophy and Department of Business Administrations, Fu Jen Catholic University	The Company: Chairman Other company: Note 1	None	None	None
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, Hou-Jie	Republic of China	Male 20-30	2020.01.17	3 years	2020.01.17	741,000	0.25%	6,384,000	2.14%	0	0.00%	0	0.00%	Psychology, University of Southern California, USA	The Company: None Other company: Note 2	None	None	None
Independent Director Chen, Hung-Shou	Republic of China	Male 61-65	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 Chow, Dah-Jen	Republic of China	Male 61-65	2021.05.21	3 years	2021.05.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Law, Harvard University School of Law	The Company: None Other company: Note 4	None	None	None
Independent Director Jou, Yen-Pong(Note)	Republic of China	Male 61-65	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 companies: Note	None	None	None

Note 1: Chairman of Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Chairman of Chunghwa Yuming Healthcare Co., Ltd.  
Chairman and General Manager of Tairung Development Co., Ltd.  
Chairman of Chunghwa Senior Care Co., Ltd.  
Chairman of Hu Yu CO., LTD  
Chairman of Markart Enterprise Co., Ltd.  
Supervisor of Sela Holdings Inc.

Note 2: Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.  
Representative of a corporate director, Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Director of Tairung Development Co., Ltd.

Note 3: Executive Director and President, PIP (Shanghai) Co., Ltd.  
Chairman of OneAD Inc.

Independent Director of Yageo Corporation; Remuneration Committee  
Independent Director of momo.com Inc.; Remuneration Committee member  
Independent Director of Giant Manufacturing Co., Ltd.; Remuneration Committee member  
Member, Remuneration Committee, Sercomm Corporation

Note 4: Managing Partner of Innovative Biomedical Management Consultants Co., Ltd.  
Taipei Independent Directors Association, Chairman  
Director of Taiwan Intelligent Healthcare Association  
Director of ZHI KANG Venture Capital Investment Company, Ltd.  
Representative of a corporate director, JAG Technology Inc.  
Independent Director of Amtran Technology Co., Ltd.; Remuneration Committee  
Director of Philhong Technology Co., Ltd.

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

Footnote: Independent Director Jou, Yen-Pong passed away on August 6, 2021. The vacancy will be filled by a new director elected at the 2022 annual general meeting (AGM) of shareholders.

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

(1) Corporate shareholders' main shareholders:

Corporate shareholder Name	Major Shareholders of Corporate Shareholders	Shareholding (donation) ratio
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	China Chemical & Pharmaceutical Co., Ltd.	27.82%
	Wang, Hsun-Sheng	3.17%
	Wang Ming-Ning Memorial Foundation	2.18%
	Hontai Life Insurance Co. Ltd.	1.81%
	Shanshui Biotech Venture Capital Limited Partnership	1.54%
	Wang, Hou-Jie	1.30%
	Wang, Hsun-Wei	1.29%
	Lin, Kuei Mei	1.28%
	Ke, Ching-Huei	1.08%
	Wang Hou-Che	0.95%
Wang Ming-Ning Memorial Foundation	Wang, Huang Li-Hui (deceased), Wang, Hsun-Sheng, Wang, Hsun-Hui (deceased), Wang, Hsun-Yu, accounting for 91.88% in total. China Chemical & Pharmaceutical Co., Ltd. (3.63%), Chunghwa Chemical Synthesis & Biotech Co., Ltd. (2.03%), Wang, Chih-Chuan (0.73%) (deceased), Wang, Hsun-Sheng (0.35%), Wang, Sung, Chong-Ying (0.25%), Wang, Hsun-Hui 0.18% (deceased), Wang Huang, Li-Hui (0.12%) (deceased), Cheng Wang, Hsiang-Yu (0.07%), Wei, Fu-Chuan (0.02%).	

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

Name of corporate shareholder	Corporate shareholders' main shareholders	Shareholding (donation) ratio
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	14.11%
	Fubon Life Insurance Co., Ltd.	4.28%
	Sela Holdings Inc.	3.98%
	Wang Ming-Ning Memorial Foundation	3.50%
	Guan's Enterprise Co., Ltd.	3.14%
	Wang, Hou-Jie	2.14%
	CCPC Employee Ownership Trust Special Account at Yuanta Bank	2.06%
	Wang Hsieh Cheng-Ching	1.99%
	Markart Enterprise Co., Ltd.	1.64%
	Wang, Hsun-Sheng	1.59%
Hontai Life Insurance Co., Ltd.	Lin, Ching-Lung	19.35%
	Wang, Wan-Lin	11.7%
	Hung Chang Industrial Co., Ltd.	4.89%
	Chuan Yi Construction Co., Ltd.	4.85%
	Juei Chin Industrial Co., Ltd.	4.80%
	Min Huei Industrial Co., Ltd.	4.58%
	Hung Lung Industrial Co., Ltd.	4.40%
	Ying Feng Industrial Co., Ltd.	4.34%
	Fu Tai Construction Co., Ltd.	3.92%
	Wan Hsing Industrial Co., Ltd.	3.90%

Shanshui Biotech Venture Capital Limited Partners hip	-
Wang Ming-Ning Memorial Foundation	Wang, Huang Li-Hui (deceased), Wang, Hsun-Sheng, Wang, Hsun-Hui (deceased), Wang, Hsun-Yu, accounting for 91.88% in total. China Chemical & Pharmaceutical Co., Ltd. (3.63%), Chunghwa Chemical Synthesis & Biotech Co., Ltd. (2.03%). Wang, Chih-Chuan (0.73%) (deceased), Wang, Hsun-Sheng (0.35%), Wang Sung, Chong-Ying (0.25%) (deceased). Wang, Hsun-Hui (0.18%) (deceased), Wang Huang, Li-Hui (0.12%), Chen Wang, Hsiang-Yu (0.07%), Wei, Fu-Chuan (0.02%).

2. Disclosure of director professional qualifications and director independence information.

(1) Director professional qualifications and experiences

Name \ Qualification	Professional qualification and experience	Number of positions as an Independent Director in other public listed companies
<p>Chairman Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd. Representative: Wang Hsien, I-Chen</p>	<p>Graduated from Dept. of Philosophy, FJCU and College of Management, Fu Jen Catholic University; currently serving as the chairman in this company and other TWSE/TPEX Listed and non-listed companies. With more than five years of work experience required for commerce, finance, and company undertakings, she demonstrates professional leadership, operational management, and strategic planning capabilities.</p>	<p>0</p>
<p>Director Wang Ming-Ning Memorial Foundation Representative: Wang, Hou-Jie</p>	<p>Graduated from Department of Psychology, University of Southern California, U.S.A.; currently serving as a director a corporate director representative at TWSE/TPEX Listed and non-listed companies. With five years of work experience required for commerce, finance, and company undertakings, he demonstrates business management and strategic planning competencies.</p>	<p>0</p>
<p>Independent Director Chen, Hung-Shou</p>	<p>Graduated from Business Administration, National Taiwan University (Advanced Management Research Course); currently serving as the founder and chairman of OneAD Inc., an independent director in other TWSE/TPEX listed companies, and a member of the Remuneration Committee. With over five years of work experience required for business, finance, and company undertakings, he has engaged in the industry for over three decades and demonstrates cross-network media and system integration professional competencies.</p>	<p>3</p>
<p>Independent Director Chow, Dah-Jen</p>	<p>Graduated from Harvard Law School with a master's degree. Currently servicing as the chairman of Independent Director Association, the chairman of Taiwan Pioneer Biotech, and other venture capital financial consultancy companies, director and Remuneration Committee members, a director of Taiwan Intelligent HealthCare Association, with over five years of work experience required for business management, legal affairs, and company affairs. He has a professional lawyer qualification license, with extensive experience in legal and financial matters.</p>	<p>1</p>
<p>Independent Director Jou, Yen-Pong (Passed away on August 6, 2021. A re-election will be held to fill vacancies at the 2022 shareholders meeting.)</p>	<p>Graduated from Fu Jen Catholic University Law School, worked as consultant of Industrial Technology Research Institute, chief legal officer of other listed companies, chairman and founder of non-listed companies, with more than five years of work experience in business, finance, legal affairs and corporate business, and a lawyer Qualified professional license with extensive legal and financial experience.</p>	<p>0</p>

(2) Director independence information

Name	Qualification	Independence situation
<p>Chairman Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd. Representative: Wang Hsien, I-Chen</p>	<p>Met the following independence evaluation conditions during the period of service two years prior to appointment:</p> <ol style="list-style-type: none"> <li>(1) Not a director, supervisor or employee of a company controlling over one half of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</li> <li>(2) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company, or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 over the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations. Provided that this restriction does not apply to a member of the remuneration Committee, public tender offer review Committee or special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.</li> <li>(3) Not a spouse or relative of second degree or closer to any other directors.</li> <li>(4) Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ol>	
<p>Director Wang Ming-Ning Memorial Foundation Representative: Wang, Hou-Jie</p>	<p>Met the following independence evaluation conditions during the period of service two years prior to appointment:</p> <ol style="list-style-type: none"> <li>(1) Not employed by the company or any of its affiliated companies.</li> <li>(2) 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.</li> <li>(3) Not a spouse, relative to the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2).</li> <li>(4) Not a director, supervisor or employee of a company controlling over one half of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</li> <li>(5) Not a director of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</li> <li>(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relation with the company (except for a specific company or institution holding over 20% but less than 50% of the company's outstanding shares, and independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</li> <li>(7) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company, or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 over the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations. Provided that this restriction does not apply to a member of the</li> </ol>	

	<p>remuneration Committee, public tender offer review Committee or special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.</p> <p>(8) Not a spouse or relative of second degree or closer to any other directors.</p> <p>(9) Does not meet any descriptions stated in Article 30 of The Company Act.</p>
<p>Independent Director Chen, Hung-Shou</p>	<p>Met the following independence evaluation conditions during the period of service two years prior to appointment:</p> <p>(1) Not employed by the company or any of its affiliated companies.</p> <p>(2) Not a director or supervisor of the company or its affiliates (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</p> <p>(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.</p> <p>(4) Not a spouse, relative to the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2), (3).</p> <p>(5) Not a director, supervisor, or employee (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary) of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, is ranked in the top 5 in shareholding, or designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.</p>
<p>Independent Director Chow, Dah-Jen</p>	<p>(6) Not a director, supervisor or employee of a company controlling over one half of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</p> <p>(7) Not a director of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</p>
<p>Independent Director Jou, Yen-Pong (Passed away on August 6, 2021. A re-election will be held to fill vacancies at the 2022 shareholders meeting.)</p>	<p>(8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relation with the company (except for a specific company or institution holding over 20% but less than 50% of the company's outstanding shares, and independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</p> <p>(9) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company, or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 over the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations. Provided that this restriction does not apply to a member of the remuneration Committee, public tender offer review Committee or special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.</p> <p>(10) Not a spouse or relative of second degree or closer to any other directors.</p> <p>(11) Does not meet any descriptions stated in Article 30 of The Company Act.</p> <p>(12) Not elected as a government or corporate representative according to Article 27 of The Company Act.</p>

3. Diversification and independence of board of directors:

- (1) Diversification of board of directors: Specify the diversification policies, objectives, and achievement status of the board.

Diversification policies of the board:

The Company advocates and respects the diversification policies of the board in order to strengthen corporate governance and promote the comprehensive development of the board makeup and structure. The diversification guidelines are expected to enhance the Company's overall performance. The appointment of board members is based on the principle of recruiting talents. Members shall possess cross-industry and cross-domain diverse and complementary capabilities, including basic makeup (such as age, gender, and nationality). They shall also each have their own industrial experience and related skills, as well as business judgement, operational management, leadership decision-making, crisis management, and other capabilities. In order to strengthen the board functions and achieve the ideal objectives of corporate governance, Article 20 of the "Corporate Governance Best- Practice Principles and Article 3 and Article 4 of the "Guidelines Governing Election of Directors" stipulate the overall competencies of the board, as follows:

◆Operating judgment.◆Accounting and financial analysis.◆Management capability.◆Crisis management capabilities.

◆ Industry knowledge. ◆International market viewpoint. ◆Leadership.

◆Decision-making ability.

Specific management objectives and implementations of the board:

The achievement status of the diversified makeup of the standing 25<sup>th</sup> board members is as follows:

The very core items in diversification Name of director	Basic composition						Industry experience				Professional capability				
	Gender,	Republic of China nationality	With employee status	Age			Term of independent directors	Pharmaceutical biotechnology	Information technology	Accounting audit	Legal affairs	operating strategy	Risk management	Finance and accounting	Laws
				25~30	50~60	61~65									
Wang Hsieh I-Chen	Female	V	-		V			V				V	V	V	
Wang, Hou-Jie	Male	V	-	V				V				V	V	V	
Independent director: Chen, Hung-Shou	Male	V	-			V		V	V			V	V	V	
Independent director: Chow, Dah-Jen	Male	V	-			V	V				V		V	V	V
Independent director: Jou, Yen-Pong Note	Male	V	-			V		V			V	V	V		V

Note: Independent Director Jou, Yen-Pong passed away on August 6, 2021. The vacancy will be filled by a new director elected at the 2022 annual general meeting (AGM) of shareholders.

For the Company's standing 25<sup>th</sup> board 5 member makeup (including three independent directors), directors concurrently serving as company managers shall not exceed one third of the board seats. At present, five board members who are directors with employee status account for 0%. In addition, the Company also gives focus to gender equality in the board makeup. The goal is to achieve women accounting for 20% of board of directors. Currently, there are five board members, including one female director accounting for 25%. In the future, the Company shall continue to be committed to the goal of enhancing the ratio of female board of directors.

In view of the Company's five directors of the 25<sup>th</sup> board meeting (including three independent directors) whose professional backgrounds span economics, corporate management, financial accounting, law, pharmaceutical biotechnology, information technology, independent directors Mr. Chou Ta-Ren and Mr. Chou Yen-Peng with R.O.C. lawyer qualifications. The directors with employee status account for 0%; the independent directors account for 60%, and the female directors account for 25%. One independent director's term of office is below three years, two independent directors' term of office is 6–9 years; three independent directors are 61–65 years old, one director is 50–60 years old, and one director is 25–30 years old.

(2) Independence of board of directors:

Professionals with independence qualifications shall be invited to serve as the Company's five directors of the 25<sup>th</sup> board meeting. Three independent directors have been designated, accounting for 60%. The qualifications of independent directors meet the regulatory provisions in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." The Company's board possesses independence in exercising function and power.

The Company's five directors of the 25<sup>th</sup> board meeting have no kinship provisioned in Paragraph 3 and Paragraph 4 of Article 26-3 of the Securities and Exchange Act. In addition, the supervisory system has been abolished at the 2016 shareholders meeting. Instead, independent directors are appointed to form the Audit Committee that independently exercises its function and power.

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

March 28, 2022 Unit: shares

Title	Nationality	Name	Gender,	Date elected	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			Remarks
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
President	Republic of China	Wu, Chih-Yung	Male	2020.11.05	0	0.00%	0	0.00%	0	0.00%	BPharm, China Medical University	Representative of a corporate director, Chung-hwa Yuming Healthcare Co., Ltd. Representative of a corporate director, MegaPro Biomedical Co., Ltd. Supervisor of Sino-Japan Chemical Co., Ltd.	None	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%	Labor Relationship Department of Chinese Culture University	Representative of a corporate director, Chung-hwa Chemical Synthesis & Biotech Co., Ltd. Representative of a corporate director, Chung-hwa Yuming Healthcare Co., Ltd. President of Chung-hwa Yuming Healthcare Co., Ltd. Representative of a corporate director, Tairung Development Co., Ltd. Representative of a corporate director, Chung-hwa Senior Care Co., Ltd. Representative of a corporate director, Sino-Japan Chemical Co., Ltd. Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd. Chairman of Chung-hwa Biomedical Technology Corp.	None	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	Representative of a corporate director, CDIB Capital Healthcare Ventures Limited Representative of a corporate director, Chung-hwa Yuming Healthcare Co., Ltd.	None	None	None	None
Vice President	Republic of China	Chan, Ming-Sheng	Male	2019.07.01	0	0.00%	0	0.00%	0	0.00%	MS, Institute of Industrial Engineering and Management, National Formosa University.	None	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%	Department of Industrial Management, National Cheng Kung University	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%	Department of Statistics, National Chung Hsing University,	Supervisor of PHERMPEP CO., LTD. Shareholdings of Chung-hwa Yuming Healthcare Co., Ltd. Supervisor of Chung-hwa Senior Care Co., Ltd. Supervisor of Tairung Development Co., Ltd.	None	None	None	None
Division director	Republic of China	Huang, Yi-Chun	Female	2014.03.07	0	0%	0	0.00%	0	0.00%	Department of Finance & Taxation, Feng Chia University,	Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd. Representative of a corporate director, Tairung Development Co., Ltd. Representative of a corporate director, Phermpep Co., Ltd. Shareholdings of Chung-hwa Yuming Healthcare Co., Ltd. Supervisor of Chung-hwa Biomedical Technology Corp.	None	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: NTD thousand

Title	Name	Remuneration to Directors								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 received from the invested companies other than the subsidiaries and the parent company (Note 11)		
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Fees for services rendered (D) (Note 4)		The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 10)		Salaries, bonuses, special allowances etc. (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies contained in the financial report (Note 7)		The Company	All companies shown in the financial report (note 7)
Chairman	Wang Hsieh I-Chen (CCSB)	3,227	9,299	0	0	3,000	3,000	360	360	6,587 1.27%	12,659 2.45%	0	4,007	0	210	0	0	148	0	6,587 1.27%	17,024 3.30%	None
Director	Wang, Hou-Jie (Foundation)																					
Independent Director	Chen, Hung-Shou																					
Independent Director	Chow, Dah-Jen Note	0	0	0	0	3,000	3,000	955	955	3,955 0.76%	3,955 0.77%	0	0	0	0	0	0	0	0	3,955 0.76%	3,955 0.77%	None
Independent Director	Jou, Yen-Pong Note																					

1. Please state the policy, system, standard and structure of remuneration for independent directors and the relevance to the amount of remuneration in terms of their duty, risk and time of involvement: This Company remunerates independent directors according to Article 32 of this Company's Articles of Incorporation: If there is profit in the year, this Company will appropriate not more than 3%; if there is a cumulative deficit, this Company shall retain the amount for compensation. Remuneration is distributed according to Article 20 of this Company's Articles of Incorporation: [The amount of remuneration] shall be determined in consideration of the involvement and contribution to the Company's operations and with reference to the standard in the business and submitted to the board of directors for discussion and approval. The honorarium will be paid by each time of board meeting attendance.

2. In addition to the above disclosure, the services provided by the Company board in the most recent year: such as serving as non-employee consultants at the parent company/in the financial statement/reinvestment business Remuneration claimed: None.

Note: The Chairman was staffed with a chauffeur and was paid in the recent year, as the aggregate total of salary, overtime pay, evaluation incentive, remuneration to an employee, amounting to NTD1,242,777.

Note: Independent director, Chow, Dah-Jen took office on May 21, 2021.

Note: Independent Director Jou, Yen-Pong passed away on August 6, 2021. The vacancy will be filled by a new director elected at the 2022 annual general meeting (AGM) of shareholders.

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
> NTD1,000,000	Jou, Yen-Pong	Jou, Yen-Pong	Jou, Yen-Pong	Jou, Yen-Pong
NTD1,000,000 ~ NTD2,000,000 (exclusive)	Wang, Hou-Jie; Chen, Hung-Shou; Chow, Dah-Jen	Wang, Hou-Jie; Chen, Hung-Shou; Chow, Dah-Jen	Wang, Hou-Jie; Chen, Hung-Shou; Chow, Dah-Jen	Wang, Hou-Jie; Chen, Hung-Shou; Chow, Dah-Jen
NTD2,000,000 ~ NTD3,500,000 (exclusive)				
NTD3,500,000 ~ NTD5,000,000 (exclusive)	Wang Hsieh I-Chen		Wang Hsieh I-Chen	
NTD5,000,000 ~ NTD10,000,000 (exclusive)				
NTD10,000,000 ~ NTD15,000,000 (exclusive)		Wang Hsieh I-Chen		
NTD15,000,000 ~ NTD30,000,000 (exclusive)				Wang Hsieh I-Chen
NTD30,000,000 ~ NTD50,000,000 (exclusive)				
NTD50,000,000 ~ NTD100,000,000 (exclusive)				
> NTD100,000,000				
Total	5 persons	5 persons	5 persons	5 persons

Note 1: Fill in the name of each director individually (the name of institutional shareholders and their representatives shall also be listed individually) and the name of general directors and independent directors. The amount of remuneration to each shall be disclosed in aggregate. A director who is concurrently the president or a vice president of the company shall be stated in this table and the table listing the remuneration for the president or vice presidents.

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

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

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

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

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

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: Earnings shall refer to the net income after taxation of the separate entities or in separate financial statements in the most recent fiscal year.

Note 11: a. The amount of remuneration a director receives from investees other than subsidiaries or from the parent shall be stated in this column (fill in "N/A" when none).

b. When a director receives remuneration from an investee other than a subsidiary or from the parent, the amount of such remuneration shall be combined in column I of the Increments of Remuneration table, and the column shall be renamed "Parent or All Investees."

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 or parent company other than subsidiaries.

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

## 2. Supervisors' remuneration: Not applicable

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

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 8)		Remuneration received from the invested companies other than the subsidiaries and the parent company (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	Wu, Chih-Yung	11,662	15,837	649	757	6,233	8,933	1,232	0	1,232	0	19,776 3.82%	26,759 5.18%	None
Vice President	Sun, Yin-Nan													
Vice President	Hsieh, Chun-Ju													
Vice President	Chan, Ming-Sheng													
Vice President	Chiu, Tsung-Hsi													

Note: The President, and the Vice President were 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 NTD843,807.

\* 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
> NTD1,000,000	Sun, Yin-Nan; Chiu, Tsung-Hsi	Chiu, Tsung-Hsi
NTD1,000,000 ~ NTD2,000,000 (exclusive)		
NTD2,000,000 ~ NTD3,500,000 (exclusive)		
NTD3,500,000 ~ NTD5,000,000 (exclusive)	Chan, Ming-Sheng	Chan, Ming-Sheng
NTD5,000,000 ~ NTD10,000,000 (exclusive)	Wu, Chih-Yung; Hsieh, Chun-Ju	Wu, Chih-Yung; Hsieh, Chun-Ju; Sun, Yin-Nan
NTD10,000,000 ~ NTD15,000,000 (exclusive)		
NTD15,000,000 ~ NTD30,000,000 (exclusive)		
NTD30,000,000 ~ NTD50,000,000 (exclusive)		
NTD50,000,000 ~ NTD100,000,000 (exclusive)		
> NTD100,000,000		
Total	5 persons	5 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. A director who is concurrently the president or a vice president of the company shall be stated in this table and the table listing the remuneration for general directors and individual directors.

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: Name of the managers received remuneration and the distribution of remuneration

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: Earnings shall refer to the net income after taxation of the separate entities or in separate financial statements in the most recent fiscal year.

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 (If there is none, please fill in "none"). When a president or vice president receives remuneration from an investee other than a subsidiary, the amount of such remuneration shall be combined in column E of the Increments of Remuneration table, and the column shall be renamed "Parent and All Investees." 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 or parent company 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, 2021;  
Unit: NTD thousand

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Manager	President	Wu, Chih-Yung	—	1,687	1,687	0.3%
	Vice President	Sun, Yin-Nan				
	Vice President	Hsieh, Chun-Ju				
	Vice President	Chan, Ming-Sheng				
	Vice President	Chiu, Tsung-Hsi				
	Chief Auditor	Lin, Teng-Pao				
	Division director	Chao, Te-Feng				
	Division director	Huang, Yi-Chun				

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

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

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

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

Note 4: In addition to Table 1-2 (Remuneration for General Directors, Independent Directors, Supervisors, President, and Vice President), directors, the president, and the vice president who be received the (including stock and cash) remuneration for employees shall fill in this table.

(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, president and vice president 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. Analyzed total ratio of total remuneration paid to the Company directors, general manager, vice general manager, etc., accounting for the net profit after tax of individuals or individual financial reports.

Unit: NTD thousand

Item  Title	The Company				All companies covered within the consolidated financial statements			
	2020		2021		2020		2021	
	Total amount	Ratio of net profit after tax	Total amount	Ratio of net profit after tax	Total amount	Ratio of net profit after tax	Total amount	Ratio of net profit after tax
Remuneration to Directors	9,662	1.73%	10,542	2.04%	11,609	2.08%	16,614	3.22%
President's and Vice Presidents' remuneration	22,860	4.10%	19,776	3.82%	30,101	5.40%	26,759	5.18%
Income after taxation	557,365	—	517,508	—	559,500	—	516,355	—

The ratio of director remuneration accounting for the net profit after tax in 2021 was slightly higher than that of 2020. This is the result of a 1% increase in the income tax expense accounting for the net profit after tax in 2021 compared to 2020.

2. Correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and operation performance and risks in the future

(1) Policies, standards, and combinations

The remuneration for the Company directors shall be in accordance with Article 20 of the Company's Articles of Incorporation. The board shall be authorized to agree on remuneration for the chairman, vice chairman, and directors according to their level of involvement and contribution in company operations and in reference to the usual standards of the same trade. In addition, if the Company incurs profits in the current year, no more than 3% shall be allocated as remuneration for directors in accordance with Article 32 of the Articles of Incorporation. In accordance with the "Rules and Procedures for Performance Evaluation of Board of Directors," the performance of the board of directors and its members shall be periodically evaluated. The evaluation results shall be applied as references for remuneration for individual directors. Relevant performance assessments and remuneration reasonability shall be reviewed by the Remuneration Committee and the board of directors.

The remuneration for the Company managers shall be handled in accordance with provisions in the "Regulations for Employee Salary Management." Remuneration for managers includes salaries and wages, allowances, and bonuses. Allowances shall be in reference to the standards in the trade, rank, education (work experience), licenses, professional competencies, and the limits of the job functions and powers in the Company. Bonuses shall also be issued

based on the Company's annual operational performance, financial status, operational status, and individual work performance. If the Company incurs profits in the current year, 1%–15% shall be allocated as remuneration for employees in accordance with Article 32 of the Articles of Incorporation. The performance evaluation results shall serve as the reference for manager bonus distribution. Managers' individual performance evaluation items include two parts: 1. Financial indicators: Such as operational goal achievement rate, operating revenue, operating contribution, net profit after tax, and revenue from innovative channels; 2. Non-financial indicators: Such as managers' moral hazard events, personnel malpractice risk incidents, the implementation of the Company's core values, operational management capabilities, and sustainable management participation status. These evaluation items are used to calculate individual performance bonus remuneration, which shall be based on the recommended distribution principles of the Remuneration Committee and approved by the chairman base on operational performance.

The combined remuneration paid by the Company shall be based on the organization regulations of the Remuneration Committee, including cash returns, stock option, dividends, retirement benefits, resignation payments, various allowances, and other substantial incentives. The scope shall be consistent with remuneration for directors and managers stipulated in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

(2) Procedures for Remuneration Setting

The references for evaluation shall include the "Regulations Governing Remuneration for Directors and Functional Committee Directors" for the board of directors, and the "Regulations for Employee Salary Management," the "Regulations for Employee Performance Management," and the "Regulations for Financial Rewards for Senior Managers" for the managers. In addition, not referring to the Company's overall operational performance, as well as the future operational risks and development trends of the industry, the individual performance achievement rates and the level of contribution to company performance shall be considered to provide reasonable remuneration.

The Company's director and manager performance evaluation and the reasonability of remuneration shall be periodically evaluated and reviewed by the Remuneration Committee and the Board of Directors every year. In addition to referring to the Company's overall operational performance, the industry's future risks and development trends, and the actual operating status and relevant laws and regulations, the remuneration system shall be promptly reviewed. Furthermore, in consideration to the current corporate governance trend, reasonable remuneration shall be provided to seek a balance between sustainable development and risk control. The actual amounts of remuneration distributed to directors and managers in 2021 shall be submitted to the board of directors for negotiation after a review by the Remuneration Committee.

(3) Relevance between operational performance and future risks

The Company's remuneration policy related payment standards and system reviews are based on the Company's overall operating status as the main consideration. In addition, the approval of the payment standards shall be based on the achievement rate and level of contribution in order to enhance the overall organizational team effectiveness of the board of directors and managerial departments. In addition, the industry's remuneration standards shall serve as a reference in order to ensure the industrial competitiveness of remuneration for the management level and retain outstanding managerial talents.

The Company's manager performance objectives shall be integrated with "risk control" in order to ensure the management and prevention of possible risks

within the scope of responsibilities. In addition, it is based on actual performance evaluation results, thereby linking relevant human resources and relevant remuneration policies. Important decisions made by the management level shall be made after taking into account various risk factors. Performance arising from relevant decision-making shall be reflected in the Company's profitability situation, which is in turn related to remuneration for the management level and risk control performance.

The Company shall promptly inspect future operational risks, environmental protection, sustainable development, and relevant laws and regulations in order to promptly review the remuneration system and seek a balance between the Company's sustainable management 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
Chairman	Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Wang Hsien, I-Chen	10	0	100%	Re-elected on May 21, 2021 (ten attendances required)
Director	Representative of Wang Ming-Ning Memorial Foundation: Wang, Hou-Jie	8	1	80%	Re-elected on May 21, 2021 (ten attendances required)
Independent Director	Chen, Hung-Shou	10	0	100%	Re-elected on May 21, 2021 (ten attendances required)
Independent Director	Chow, Dah-Jen	6	0	100%	Newly appointed in May 21 2021 (six attendances required)
Independent Director	Jou, Yen-Pong	5	1	83%	Re-elected on May 21, 2021; passed away on August 6, 2021 (six attendances required)

Facts of participation in the board of directors meeting by the independent directors in Year 2021										
◎: Participation in person; ☆: Participation through a proxy; *: Absent										
2021	February 18	March 4	May 11	May 17	May 21	June 29	August 10	October 8	November 8	December 23
Chen, Hung-Shou	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Chow, Dah-Jen	-	-	-	-	◎	◎	◎	◎	◎	◎
Jou, Yen-Pong (Passed away on August 6, 2021)	◎	◎	◎	◎	◎	☆	-	-	-	-

Other remarks:

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

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

The 16<sup>th</sup> board of directors meeting of Session XXIV convened on March 4, 2021

Key points of the issue:

- ① Remuneration to the directors and to the employees in Year 2020.
- ② Method to grant remuneration to the directors and to the employees in Year 2020
- ③ Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.
- ④ Amendment to part of the “Remuneration Committee Organization Regulations” of the Internal Control System and Internal Audit Implementation Rules.
- ⑤ The “Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.

Independent directors' opinions: Nil.

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

Final decision resolved: The issue ①, ②, ④ was resolved exactly as proposed by all present directors in full.

③ The proposal was approved by other three attending directors without demurral.

⑤ The proposal was approved by other two attending directors without demurral.

The 17<sup>th</sup> board of directors meeting of Session XXIV convened on May 11, 2021

Proposal content: ①The “internal organizational adjustment and CPA replacement in cooperation with the accounting firm” case.

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 3<sup>rd</sup> board of directors meeting of Session XXV convened on August 10, 2021

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.

Resolution: Approved by three other directors present without objection.

The 5<sup>th</sup> board of directors meeting of Session XXV convened on November 8, 2021

Proposal:

① Amendment to part of the “Financial Report Production Management SOP” of the Internal Control System and Internal Audit Implementation Rules.

② The “Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.

③ The “investment in new dosage form production lines” case.

Independent directors' opinions: Nil.

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

Final decision resolved: The issue ①, ③ was resolved exactly as proposed by all present directors in full.

②The proposal was approved by other two attending directors without demurral.

- (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 16<sup>th</sup> board of directors meeting of Session XXIV convened on March 4, 2021

Director subject to withdrawal from conflict involvement: Wang Hsien, I-Chen.

Key points of the issue:

① The guarantee for Hu Yu Co., Ltd. in its application for extension of the loan

② The “adjustment of interest rates for loaning of funds” case.

③ The “Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.

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

①, ② 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 proposal was approved by other three attending directors without demurrals.

③ Where the Company's chairman concurrently chairs by Chunghwa Chemical Synthesis & Biotech Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The proposal was approved by other two attending directors without demurrals.

Director subject to withdrawal from conflict involvement: Wang, Hou-Jie.

Proposal content: The “investment in Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.

Causes of withdrawal from conflict involvement and participation in the voting process: Where the Company's director concurrently chairs by Chunghwa Chemical Synthesis & Biotech Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The proposal was approved by other two attending directors without demurrals.

(2) The 3<sup>rd</sup> board of directors meeting of Session XXV convened on August 10, 2021

Director subject to withdrawal from conflict involvement: Wang Hsien, I-Chen.

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: As the chairperson also chairs Hu Tu Co., Ltd. and is involved with a conflict of interests with this proposal, he recused from the discussion and voting as stipulated in the Company Act. All other three directors approved the proposal as proposed without objection.

(3) The 5<sup>th</sup> board of directors meeting of Session XXV convened on November 8, 2021

Director subject to withdrawal from conflict involvement: Wang Hsien, I-Chen.

Proposal content: The “investment in Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.

Causes of withdrawal from conflict involvement and participation in the voting process: Where the Company's chairman concurrently chairs by Chunghwa Chemical Synthesis & Biotech Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The proposal was approved by other two attending directors without demurrals.

Director subject to withdrawal from conflict involvement: Wang, Hou-Jie.

Proposal content: The “investment in Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.

Causes of withdrawal from conflict involvement and participation in the voting process: Where the Company's director concurrently chairs by Chunghwa Chemical Synthesis & Biotech Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The proposal was approved by other two attending directors without demurrals.

3. Performance of self-assessment (or peer-assessment) of the Company's board of directors.

In January 2022, the board meeting assisted with the assessment of internal board performance in 2021. The items evaluated include four categories: “evaluation of board of directors performance,” “evaluation of board members,” “evaluation of Audit Committee performance,” and the “evaluation of Remuneration Committee performance.” The evaluation methods include: “directors' evaluation of board of directors,” “directors' evaluation of their own performance,” “evaluation of Audit Committee members on Audit Committee performance,” and “evaluation of Remuneration Committee members on Remuneration Committee performance.”

The evaluation result scores include: board of directors' performance evaluation (99.6 points), board members' performance evaluation (99.4 points), Audit Committee performance valuation (100 points), and Remuneration Committee members evaluation

(99.2 points). Based on the 2021 board of directors' performance evaluation results, the Company's board of directors, Audit Committee, and Remuneration Committee are said to be in good operation. To improve the Company's governance, we will make continual improvement according to the 2021 rating results of the board to improve governance effectiveness. The said board performance was reported to the 7<sup>th</sup> board meeting of the 25<sup>th</sup> Board of Directors on March 8, 2022.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Evaluation performed once a year	The performance of the board of directors, Audit Committee, and Remuneration Committee was evaluated from January 1 to December 31, 2021.	Board of Directors, Audit Committee, Remuneration Committee	Through internal self-evaluation such as "evaluation of board of directors on board operations," "evaluation of board of directors on self-participation," "evaluation of Audit Committee on committee operations," and "evaluation of Remuneration Committee on committee operations," self-assessment questionnaires" were distributed to be filled out for performance evaluation.	<p>(1) Assessment of Board Operations Assessment: Involvement in corporate operations, improvement of board decision-making quality, board composition and structure, director selection and continuing education, and internal control.</p> <p>(2) Director involvement assessment: Understanding of the company's goals and missions, recognition of the role and responsibility of directors, involvement in corporate operations, internal relationship maintenance and communication, director expertise and continuing education and internal control.</p> <p>(3) Audit Committee Operation Assessment: Involvement in corporate operations, recognition of committee role and responsibility, improvement of committee decision-making quality, committee composition and member selection and internal control.</p> <p>(4) Remuneration Committee Operation Assessment: Involvement in corporate operations, recognition of committee role and responsibility, improvement of committee decision-making quality, committee composition and member selection and internal control.</p>

4. The objective of fortifying the functions of the Board in current year and the most recent year (e.g. the establishment of the Auditing Committee, and enhancement of the transparency of information) and the assessment of the result of execution:

- (1) Among five directors, three seats are independent directors, accounting for more than one third of all the director seats. The Audit Committee shall be made up of all the independent directors; the Remuneration Committee shall be made up of two independent directors and one professional. It shall assist the board of directors in fulfilling supervision duties and periodically reporting the operation situation to the board of directors.
- (2) Adhering by the principles of information transparency and a focus on shareholders rights, the Company shall set up the "investor area," "corporate social responsibility," and "interested parties area" on the Company website. Financial information and relevant news release shall be periodically announced on the Company's website areas and the Market Observation Post System (MOPS). Investor conferences shall also be

regularly convened.

- (3) In order to protect directors and managers from risks shouldered during business execution, the Company's directors and managers are insured under Directors and Officers Liability Insurance coverage every year. The policy details shall be periodically reviewed in order to ensure the compensation amounts and coverage are in line with the requirements.
- (4) For the Company's chairman not concurrently serving the post of manager, there should be clear division of function and powers in order to enhance the checks and balances mechanism.

(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 four 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)	Remarks
Independent Director	Chen, Hung-Shou	4	0	100%	Re-elected on May 21, 2021 (four attendances required).
Independent Director	Chow, Dah-Jen	2	0	100%	Newly appointed on May 21, 2021 (two attendances required).
Independent Director	Jou, Yen-Pong	2	0	100%	Re-elected on May 21, 2021; passed away on August 6, 2021 (two attendances required).

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 convened four meetings in 2021. The major matters reviewed include:
    - Yearly financial report and Q1, Q2, Q3 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:

Reviewed the Company's 2020 business report, earnings distribution, and the 2020 annual financial reports (including individual and consolidated financial statements) with the seals of the chairman, manager, and accounting supervisor affixed, the 2021 Q1-Q3 consolidated financial statement proposal, etc. The 2020 business report, financial statements (including individual and consolidated financial statements), and earnings distribution proposals created by the board of directors were checked by the Audit Committee. No inconsistencies were found, and a review report was released.

- (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. In the self-assessment of the internal control system in 2021 at the 10<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on March 4, 2024, the Audit Committee conducted found not significant nonconformity. As the design and implementation of the internal control system were effective, the Audit Committee issued the “Statement of Internal Control System 2020.” At the 2<sup>nd</sup> meeting of the 3<sup>rd</sup> Audit Committee on November 8, 2021, the 2022 Audit Program was approved after risk assessment.
- (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. At the 2<sup>nd</sup> meeting of the 3<sup>rd</sup> Audit Committee on November 8, 2014 and the 5<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on November 8, 2021, CPA Yu, Shu-Fen; Lin, Jun-Yao of PwC Taiwan were approved as the financial and tax CPAs of this Company for their independence compliance.
- The operation of the Auditing Committee in 2021:
    1. In the event of the following circumstances in the Audit Committee’s operations, the Audit Committee’s meeting convention date, session, proposal content, opposing opinion, dissenting opinion, or major suggestions, Audit Committee resolutions, and the Company’s disposal of the Audit Committee’s opinions shall be specified.
      - (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.

Audit Committee meeting convention date and session	Details of the relevant agendas and the subsequent	Items listed in Article 14-5 of Securities and Exchange Act	The matters that are not resolved by the Audit Committee must be resolved with the consent of more than two thirds of the board directors.
The 10th meeting of Session II convened on	1. The business report and final account books in Year 2020.	V	Not applicable
	2. Issue of distribution of earning of Year 2020.	V	Not applicable

March 4, 2021	3. Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.	V	Not applicable
	4. Amendment to part of the “Remuneration Committee Organization Regulations” of the Internal Control System and Internal Audit Implementation Rules.	V	Not applicable
	5. The “Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.	V	Not applicable
	The resolution reached by the Audit Committee: Approved with the consent of the board directors.		
	The Company’s disposal of the Audit Committee’s opinions: Submitted to the 24 <sup>th</sup> board of directors meeting (16 <sup>th</sup> session) for resolution by the board; agreed and approved by all the directors present.		
	Opposing opinions and dissenting opinions of independent directors or major suggestions:		
The 11th meeting of Session II convened on May 11, 2021	1. The “internal organizational adjustment and CPA replacement in cooperation with the accounting firm” case.	V	Not applicable
	The resolution reached by the Audit Committee: Approved with the consent of the board directors.		
	The Company’s disposal of the Audit Committee’s opinions: Submitted to the 24 <sup>th</sup> board of directors meeting (17 <sup>th</sup> session) for resolution by the board; agreed and approved by all the directors present.		
	Opposing opinions and dissenting opinions of independent directors or major suggestions:		
The 1st meeting of Session III convened on August 10, 2021	1. The consolidated financial statements covering 2021 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: Approved with the consent of the board directors.		
	The Company’s disposal of the Audit Committee’s opinions: Submitted to the 25 <sup>th</sup> board of directors meeting (3 <sup>rd</sup> session) for resolution by the board; agreed and approved by all the directors present.		
	Opposing opinions and dissenting opinions of independent directors or major suggestions:		
The 2nd meeting of Session III convened on November 8, 2021	1. Amendment to part of the “Financial Report Production Management SOP” of the Internal Control System and Internal Audit Implementation Rules.	V	Not applicable
	2. The “Chunghwa Chemical Synthesis & Biotech Co., Ltd. shares” case.	V	Not applicable
	3. The “investment in new dosage form production lines” case.	V	Not applicable
	The resolution reached by the Audit Committee: Approved with the consent of the board directors.		
	The Company’s disposal of the Audit Committee’s opinions: Submitted to the 25 <sup>th</sup> board of directors meeting (5 <sup>th</sup> session) for resolution by the board; agreed and approved by all the directors present.		
	Opposing opinions and dissenting opinions of independent directors or major suggestions:		

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.

③ In general, the chief internal auditor, CPAs and independent directors communicate with one another directly by email, phone, or interview.

(2) Summary of communication details of independent directors and internal audit supervisors:

Date	Personnel present	Very highlights of communications	Recommended matters
Audit Committee on March 4, 2021	Independent director: Chen, Hung-Shou Independent director: Jou, Yen-Pong Audit Head: Lin, Teng-Pao	1. December 2020 report–February 2021 internal audit operation situation 2. Submittal of the report about the outcome of self-performance in internal control system 2020. 3. Description of the contents and causes of amendment to part of the “Remuneration Committee Organization Regulations” of the Internal Control System and Internal Audit Implementation Rules proposed by officers of this Company.	No opinions in the current meeting
Audit Committee on May 11, 2021	Independent director: Chen, Hung-Shou Independent director: Jou, Yen-Pong Audit Head: Lin, Teng-Pao	1. March 2021 report–April 2021 internal audit operation situation	No opinions in the current meeting

Audit Committee on August 10, 2021	Independent director: Chen, Hung-Shou Independent director: Jou, Yen-Pong Audit Head: Lin, Teng-Pao	1. May 2021 report–July 2021 internal audit operation situation	No opinions in the current meeting
Audit Committee on November 8, 2021	Independent director: Chen, Hung-Shou Independent director: Chow, Dah-Jen Audit Head: Lin, Teng-Pao	1. August 2021 report–September 2021 internal audit operation situation 2. Submittal of the report about the outcome of risk evaluation and enactment of the internal audit plan for Year 2022. 3. Description of the contents and causes of amendment to part of the “Financial Report Production Management SOP” of the Internal Control System and Internal Audit Implementation Rules proposed by officers of this Company.	No opinions in the current meeting

(3) Summary of communication details of independent directors and CPA.

Date	Personnel present	Very highlights of communications	Recommended matters
The March 4, 2021 forum	Independent director: Chen, Hung-Shou Independent director: Jou, Yen-Pong CPA: Lin, Jun- Yao	1. Explanation and communication of matters relating to the audit planning, major adjustment of journal entries, unadjusted journal entries and financial analysis in the 2020 consolidated financial statement and the 2019 individual financial statements. 2. Explained the situation of promoting self-compiled financial statement implementation. 3. Explained amendments to the calculation basis of legal reserve. 4. Introduced the corporate governance 3.0 sustainable development blueprint essentials.	No opinions in the current meeting
The December 23, 2021 forum	Independent director: Chen, Hung-Shou Independent director: Chow, Dah-Jen CPA: Lin, Jun-Yao	1. Description of the 2022 program for communication between CPAs and independent directors, including the items, format, and schedule of communication. 2. Description and communication of the overseas audit of the 2022 consolidated and individual financial statements, including the audit program, matters relating to risk assessment, key audit items, and the influence of COVID-19. 3. Description and communication of the audit methods for the internal audit of 2022. 4. Explanation and communication of the role and responsibility and independence of the chief accountant.	No opinions in the current meeting

(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		On November 12, 2014 the board approved the establishment of the Company’s “Corporate Governance Best Practice Principles”. On December 23, 2021, the board approved the fourth amendment to part of the Principles” and disclosed the amendment on the corporate website at <a href="http://www.ccpq.com.tw">http://www.ccpq.com.tw</a> → Investor Relations → Corporate Governance and the Market Observation Post System (MOPS) designated by the competent authorities of 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, managerial officers and key shareholders holding more than 10% of the total shares. The Company duly declares such facts based on the laws and ordinances concerned. After the Company duly convenes shareholders’ meeting, completes ex-dividend, ex-right affairs and discontinues stock transfer, the Company 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	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	
(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?			<p>the sound mechanism of control over subsidiaries.</p> <p>(4) The Company has duly stipulated "Operating procedures to deal with the significant internal information with efforts to prevent inside trading" and "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" and such internal norms. The Company expressly bans inside personnel from using the information undisclosed to public but known to them into inside trading and further bans them from divulging such confidential information to others to prevent other people from using undisclosed information to engage in inside trading. The details of the operating are disclosed through the Company's website <a href="http://www.ccp.com.tw">http://www.ccp.com.tw</a> Investors' special zone → corporate governance. The Company shall occasionally conduct educational propaganda for directors and managers on "Regulations for the Management of the Prevention of Insider Trading" and relevant laws and regulations. Educational propaganda shall be provided at the time of newly recruited employees undergoing pre-service training. As of the end of December 31, 2021, two sessions of pre-service training had been held for newly recruited employees. Course topic: Disposal of major internal information and explanations and precautions on procedures for inside trading operations, with 2 hours allotted, 27 participants, and 54 man-hours. On March 4, 2011 and August 10, educational propaganda was conducted for standing directors and managers. The propaganda contents included major information confidentiality operations and precaution for the prevention of inside trading, with 20 minutes allotted, 18 people in total or 6 man-hours.</p>	
<p>3. The constitution and obligations of the board of directors</p> <p>(1) Has the board of directors formulated and implemented diversification policies and specific management objectives?</p> <p>(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have</p>	v		<p>(1) (A) Diversification policies: The Company advocates and respects the diversification policies of the board in order to strengthen corporate governance and promote the comprehensive development of the board makeup and structure. The diversification guidelines are expected to enhance the Company's overall performance. The appointment of board members is based on the principle of recruiting talents. Members shall possess cross-industry and cross-domain diverse and complementary capabilities, including basic makeup (age, gender, nationality, etc.) They shall also each have their own industrial experience and related skills, as well as business judgement, operational management, leadership decision-making, crisis management, and other capabilities. In order to strengthen the board functions and achieve the ideal objectives of corporate governance, Article 20 of the "Corporate Governance Best- Practice Principles and Article 3 and Article 4 of</p>	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
<p>other functional committee set up voluntarily?</p> <p>(3) Does the company establish a method to evaluate board performance and evaluate board performance every year? Are the performance evaluation results reported to the board and used as a reference for the remuneration and nomination for re-election of directors?</p>			<p>the “Guidelines Governing Election of Directors” stipulate the overall competencies of the board, as follows:</p> <ul style="list-style-type: none"> <li>◆Operating judgment.◆Accounting and financial analysis.</li> <li>◆Management capability.◆Crisis management capabilities. ◆ Industry knowledge. ◆International market viewpoint. ◆Leadership. ◆Decision-making ability.</li> </ul> <p>(B) Specific management objectives of the board of directors and implementation situation: Refer to “Diversification and independence of board of directors” (page 16) of this annual report.</p> <p>(C) 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 <a href="http://www.ccp.com.tw">http://www.ccp.com.tw</a> Investors' special zone.</p> <p>(2) Exactly as required by law, the Company has duly set up Remuneration Committee and Audit Committee. The Company's Articles of Incorporation have expressly provided as well that the Company may set up other functional committees. In the future, given the purposes for wholesome and sound supervisory function to strengthen the managerial function and to live up to requirements by law, the Company will set up other functional committees as necessary.</p> <p>(3) On June 27, 2019, the board passed the establishment of the “Board Performance Evaluation Regulations and SOP”. On November 9, 2020, the board approved the first amendment to part of the Regulations and SOP and disclosed the amendment on the corporate website at <a href="http://www.ccp.com.tw">http://www.ccp.com.tw</a> Investor Relations → Corporate Governance.</p> <p>The scope of performance assessment covers the whole board of directors, individual directors and functional committees. The methods of assessment include board internal self-assessment, director self-assessment, external institution assessment, external expert assessment, and other appropriate methods for performance assessment. The evaluation cycle is periodic implementation of internal board performance evaluation every year, which is completed at the end of the first quarter the following year. An evaluation shall be conducted by an external professional and independent agency or external expert and scholar team every three years. The assessment results are served as the reference for the selection or nomination of directors and for determination of the remuneration of individual directors.</p>	
			In January 2022, the board meeting assisted with the	

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										
(4) Will the Company have the independence of the public accountant evaluated regularly?			<p>assessment of internal board performance in 2021. The items evaluated include four categories: “evaluation of board of directors performance,” “evaluation of board members,” “evaluation of Audit Committee performance,” and the “evaluation of Remuneration Committee performance.” The evaluation methods include: “directors’ evaluation of board of directors,” “directors’ evaluation of their own performance,” “evaluation of Audit Committee members on Audit Committee performance,” and “evaluation of Remuneration Committee members on Remuneration Committee performance.” The evaluation result scores include: board of directors’ performance evaluation (99.6 points), board members’ performance evaluation (99.4 points), Audit Committee performance valuation (100 points), and Remuneration Committee members evaluation (99.2 points). Based on the 2021 board of directors’ performance evaluation results, the Company’s board of directors, Audit Committee, and Remuneration Committee are said to be in good operation. To improve the Company’s governance, we will make continual improvement according to the 2021 rating results of the board to improve governance effectiveness. The said board performance was reported to the 7<sup>th</sup> board meeting of the 25<sup>th</sup> Board of Directors on March 8, 2022.</p>										
			<p>(4) Pursuant to the "Corporate Governance Best-Practice Principles" stipulated by the Company, the Company shall assess and evaluate the independence of the Certified Public Accountants retained on a regular basis every year. On November 8, 2021, through the 2<sup>nd</sup> meeting of Session III of the Audit Committee and the 5<sup>th</sup> meeting of Session XXV 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: Auditing CPAs Yu, Shu-Fen; Lin, Jun-Yao's independence and competency</p>										
			<table border="1"> <thead> <tr> <th>Assessment items</th> <th>Yes</th> <th>No</th> <th>Remarks</th> </tr> </thead> <tbody> <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> </tbody> </table>		Assessment items	Yes	No	Remarks	Having the attesting Certified Public Accountants not served with the Company, or not been a director or supervisor, independent director or managerial officer, of an affiliated enterprise of the Company?	V			Are the attesting Certified Public Accountants a shareholder of the Company or an affiliated enterprise?
Assessment items	Yes	No	Remarks										
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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		
			Are the attesting Certified Public Accountants salaried in the Company or an affiliated enterprise?	V	
			Have the attesting Certified Public Accountants not rendered auditing services to the Company for seven years in a row?	V	
			Have the attesting Certified Public Accountants verified that their Certified Public Accountant Office has duly complied with the relevant independence specifications?	V	
			Has a Co-Certified Public Accountant serving with the attesting Certified Public Accountant Office served with the Company as a director or supervisor, managerial officer or a position with significant impact upon the audit cases within one year from quitting the Certified Public Accountant Office?	V	
4. Does a public company equip an appropriate number of eligible governance personnel and assign the governance office to take charge of company's governance affairs (including, without limitation, providing directors and supervisors with the data required for business operations, assistance for the legal compliance of directors and supervisors, handling affairs related to holding a board meeting or a general meeting of shareholders and producing	V		<p>With respect to the resolution made by the board on May 13, 2019, Director Huang, Yi-Chun of the Financial Division was appointed the concurrent government office of this Company to protect the rights and interests of shareholders and optimize board competence. Division director Huang Yi-Chun commands open listed companies in finance, shareholders' services, meeting and related management work experience for over three years. The duty of the governance officer is to handle the affairs related to holding the board meeting or the general meeting of shareholders, producing the minutes for board meetings and general meetings of shareholders, providing directors and independent directors with the data required for business operations, assisting directors and independent directors in maintaining legal compliance, and assist directors and independent directors in taking up their office and continuing education.</p> <p>Status of implementation in 2021:</p> <ol style="list-style-type: none"> <li>To assist independent directors and general directors execute their fiduciary duties, supply the needed information and also arrange for the directors to receive training: <ol style="list-style-type: none"> <li>To routinely notify the management board members, focusing on company management domain and company governance-related latest legal/regulatory amendment developments.</li> <li>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.</li> <li>The independent directors adhere to company</li> </ol> </li> </ol>		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	
minutes for board meetings and general meetings of shareholders)?			<p>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.</p> <p>(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.</p> <p>2. To assist the management board, audit committee and shareholders' meeting proceedings' resolution compliance matters:</p> <p>(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 the relevant laws and regulations and company government guideline stipulations.</p> <p>(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.</p> <p>(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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	

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																					
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	v		<p>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.</p> <p>Continuing education (totaling 12 hours) in 2021:</p> <table border="1"> <thead> <tr> <th>Training date</th> <th>Organizer</th> <th>Course name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>2021/05/25</td> <td>Accounting Research and Development Foundation</td> <td>Analysis of the positive influence of ESG on enterprises</td> <td>3</td> </tr> <tr> <td>2021/05/28</td> <td>Accounting Research and Development Foundation</td> <td>The role of "independent directors" and corporate governance and operational practice.</td> <td>3</td> </tr> <tr> <td>12021/11/08</td> <td>Corporate Governance Association in Taiwan</td> <td>Company Act compliance and supervisory obligations of directors</td> <td>3</td> </tr> <tr> <td>2021/12/23</td> <td>Corporate Governance Association in Taiwan</td> <td>The impact of the latest tax law changes on business operations</td> <td>3</td> </tr> </tbody> </table>	Training date	Organizer	Course name	Training hours	2021/05/25	Accounting Research and Development Foundation	Analysis of the positive influence of ESG on enterprises	3	2021/05/28	Accounting Research and Development Foundation	The role of "independent directors" and corporate governance and operational practice.	3	12021/11/08	Corporate Governance Association in Taiwan	Company Act compliance and supervisory obligations of directors	3	2021/12/23	Corporate Governance Association in Taiwan	The impact of the latest tax law changes on business operations	3	Without a significant difference.
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<p>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.</p> <p>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.</p> <p>3. Employees: The Company highly encourages the entire staff to communicate with the management level directly. Further through the sound channels and platforms including meetings on a regular basis, interchange forums for interchange with employees, corporate electronic journals, the entire employees have been fully aware of the Company's business performance.</p> <p>Conditions, policies of business operation, and timely response to the employees about their needs?</p>																								

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	
concerned by the stakeholders?			<p>4. Investors and general public in the society: The Company has duly set up official website to assure adequate disclosure of the Company's business performance, finance related information. The Company is in adequate expression about the Corporate Social Responsibility (CSR).</p> <p>5. In the Company's website, we have set up a special zone aiming at interested parties. That zone contains explanation about the key issues of public concern. The Company has further provided coordinators (contact persons) for a variety of special issues to set up sound channels for communications with the interested parties. Whenever an interested party develops any problem, he or she may contact the Company at any time and the Company will settle the issue and respond to the proposing interested party in real time as well. Visiting this Company's Stakeholder section: Enter the corporate website <a href="http://www.ccpc.com.tw/">http://www.ccpc.com.tw/</a>, then click Stakeholder or Investor Relations (or Corporate Governance).</p> <p>6. The Company has completed compilation of Corporate Social Responsibility (CSR) Report for Year 2020 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. Disclosed the 2020 Corporate Social Responsibility Report on the Company website. <a href="http://www.ccpq.com.tw/">http://www.ccpq.com.tw/</a> (Special Zone of Corporate Social Responsibility (CSR)).</p>	
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,	v		<p>(1) The Company's financial information, corporate governance related information have been disclosed through the Company's website <a href="http://www.ccpq.com.tw">http://www.ccpq.com.tw</a> Investors' special zone.</p> <p>(2) Exactly as required by laws, the Company has disclosed relevant information through the Market Observation Post System (MOPS) either on a regular basis or from time to time on a nonscheduled basis. The Company has further assigned specially assigned personnel to take charge of collection and disclosure of such information to assure that the policymaking process related information that would have an impact upon shareholders and interested parties could be disclosed in an appropriate manner in real time.</p>	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
<p>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.)?</p> <p>(3) Does the company announce and report its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly operations?</p> <p>8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, 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</p>			<p>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.  <a href="http://www.ccpc.com.tw/index.aspx">http://www.ccpc.com.tw/index.aspx</a></p> <p>(3) Currently, this Company announces the financial statements and monthly financial report by the dates specified in the "List of Matters Required to Be Handled by Issuers of Listed Securities." However, we have not announced and reported financial statements within two months after the end of a fiscal year.</p> <p>1. Employees' interests, warm concern toward employees:</p> <p>(1) Toward planning of human resources related managerial systems, the Company has faithfully complied with the "Labor Standards Act" and the laws and ordinances concerned, and, exactly according to law, the Company has duly appropriated pension reserve fund into the Trust Department of Bank of Taiwan or into the specially designated (earmarked) accounts of employees for pensions.</p> <p>(2) The Company provides multivariate channels for communications to assure that all employees oriented information could be transmitted in real time to enable employees to have their opinions and voices adequately submitted to be taken as the grounds for better performance in a variety of measures. The Company has set up "Employee Welfare Committee" 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</p>	

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	
liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?			<p>insurance policy against accident risks and offers health examinations with the Company fund.</p> <p>2. Relationship with investors: Through the Company's website <a href="http://www.ccpq.com.tw">http://www.ccpq.com.tw</a>, 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.</p> <p>3. Relationship with suppliers: The Company has been in business with suppliers for years and has maintained very close and pleasant ties with suppliers.</p> <p>4. Interests of the interested parties: The Company makes public the phone numbers and e-mail addresses of the spokesman (or acting spokesman) as well as shareholder services agent to take charge of issues and proposals linked up with shareholders and interested parties. Where an issue involves legal key point, that issue would be referred to the Attorney-at-Law to soundly assure interests of the interested parties.</p> <p>5. Statistics of higher education by the Company's directors and independent directors in Year 2021:</p> <p>(1) Chairman -Wang Hsien, I-Chen  ①Impacts of US-China Trade War on Taiwanese Enterprises and Countermeasures: 3 hours②The impact of the most recent tax reform or enterprise operations and responses (3 hours allotted).</p> <p>(2) Director-Wang, Hou-Jie  ①Professional workshop on the new “sustainable development” policy, climate governance, and low-carbon management viewed from every aspect (6 hours allotted).</p> <p>(3) Independent director: Chen, Hung-Shou  ①How enterprise digital transformation takes into account intelligent safety risks to achieve a three-win (3 hours allotted).②What is on the investor’s mind-A talk on enterprise sustainable transformation from ESG financing (3 hours allotted).</p> <p>(4) Independent director-Chow, Dah-Jen  ①Briefing on propaganda of 2021 insider equity trading law compliance (3 hours allotted).②Corporate governance (course for supervisors, directors, and senior supervisors) – The impact of ESG on enterprises (3 hours allotted).</p> <p>6. Risk management policies and performance in risk measuring criteria: Continually without interruption, the Company carries out risk management oriented</p>	

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										
	v		<p>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, 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.</p> <p>7. Implementation of the policies toward customers: The Company spares no effort to strive for innovation, research &amp; 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 &amp; development, we earnestly hope to accomplish the highest efficacy and user satisfaction and to win added trust from all customers concerned.</p> <p>8. The Company has procured liability insurance policies for all directors (including independent directors) and managerial officers. Such key issue was already reported in the 3<sup>rd</sup> meeting of Board of Directors in Session XXV convened on August 10, 2021.</p>	Without a significant difference.									
<p>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.</p> <p>Improvements of the failed items in the 7<sup>th</sup> Enterprise Corporate Governance Evaluation are as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Target items in the assessment:</th> <th>Rectification</th> </tr> </thead> <tbody> <tr> <td>2.20</td> <td>Are there at least two independent directors personally attending each board of directors meeting?</td> <td>Corrective action was performed and completed.</td> </tr> <tr> <td>2.28</td> <td>Has the Company set up the method for the submission of internal auditor appointment and removal, assessment, and remuneration to the board, submission by the audit supervisor to the chairman for approval, and disclosure on the Company website?</td> <td>Improvement has been completed and disclosed on the Company website and annual report.</td> </tr> </tbody> </table>					Item	Target items in the assessment:	Rectification	2.20	Are there at least two independent directors personally attending each board of directors meeting?	Corrective action was performed and completed.	2.28	Has the Company set up the method for the submission of internal auditor appointment and removal, assessment, and remuneration to the board, submission by the audit supervisor to the chairman for approval, and disclosure on the Company website?	Improvement has been completed and disclosed on the Company website and annual report.
Item	Target items in the assessment:	Rectification											
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Assessment items	Actual governance		Summary description	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		

Unsolved failed items in the 7<sup>th</sup> Enterprise Corporate Governance Evaluation required for prioritized improvements and efforts:

Item	Target items in the assessment:	Items and measures which call for preferential reinforcements:
2.14	Did the company have any functional committees other than statutorily required committees, and did such functional committees have not less than three members, with at least half of the members being independent directors, and did the company disclose the organization, functions, and operations of such committees?	In the future, we will assess and plan other functional committees other than the statutorily required committees to improve board competence and strengthen its supervision power.

(IV) If the Company has set up the Remuneration Committee or the Nomination Committee, the makeup, responsibilities, and operation situation shall be disclosed:

1. Information on the members of the Remuneration Committee

Identity	Name	Qualification	Professional qualification and experience	Independence situation	Number of other public companies where the members are also the members of the remuneration committee of these companies.
Independent director (Convener)	Chen, Hung-Shou	Refer to 2. Disclosure of director professional qualifications and director independence information on page 14.			4
Independent Director	Chow, Dah-Jen				1
Members	Leu, Chia-Hwel	Graduated from the Department of Agriculture Economics, National Taiwan University, Emory University, USA with a master's degree; served in Deloitte Taiwan (audit department and taxation department), ING life Insurance Company of America (marketing department), and Aetna (marketing department). With five years of work experience required for commerce, finance, accounting, and company undertakings, she has a professional CPA qualification license and demonstrates extensive experience in finance and accounting.	Met the following independence evaluation conditions during the period of service two years prior to appointment: (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 independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws). (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 the spouse, the kindred to the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2), (3). (5) Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the company according to paragraph 1 or 2, Article 27, Company Act (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws). (6) Not a director, supervisor or employee of a company controlling over one half	0	

			<p>of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</p> <p>(7) Not a director of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws). °</p> <p>(8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relation with the company (except for a specific company or institution holding over 20% but less than 50% of the company's outstanding shares, and independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).</p> <p>(9) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 over the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations. Provided that this restriction does not apply to a member of the remuneration Committee, public tender offer review Committee or special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.</p> <p>(10) Does not meet any descriptions stated in Article 30 of The Company Act.</p>	
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## 2. Duties of the Remuneration Committee

The duty of the Remuneration Committee is to assess the policy and system of salary and remuneration for the Company's directors, supervisors, and managers in a professional and objective manner; hold at least two general committee meetings each year and extraordinary committee meetings as necessary; and make recommendations for the board of directors for making decisions.

Responsibility and authority of the Remuneration Committee

- (1) Review these rules regularly and make recommendations for amendments.
- (2) Establish and regularly review the annual and long-term key performance indicators (KPIs) and the policy, system, standard, and structure of salary and remuneration of directors and managers.
- (3) Assess regularly the achievement of KPIs of directors and managers and define the contents and amount of salary and remuneration for individual directors and managers.

The Committee shall perform the abovementioned duties based on the following principles:

- (1) The salary and remuneration are arranged in compliance with related laws and regulations and are attractive to outstanding talents.
- (2) In addition to the pay standard in the business, the salary and remuneration of directors and managers shall be reasonably determined with respect to the interrelations between their personal performance and the Company's business performance and future risks, including the time involvement, duty performance, personal goal achievement, and the performance in other roles of directors and managers; and the pay for similar roles in recent years, the achievement in short-term and long-term sales targets, and financial condition of the Company.
- (3) No suggestions are made to guide directors and officers to engage in acts that may exceed the Company's risk appetite to pursue own salary and remuneration.
- (4) The specificity of the industry and the nature of the Company's business shall be considered when determining the proportion of profit sharing for short-term performance and the changes in the payment time of part of the salary and remuneration of directors and executives.
- (5) No members of the Committee shall engage in the discussion and voting of their own salary and remuneration.

3. Information on the operation of the Remuneration Committee

- (1) The Company's Remuneration Committee has three Committee members in total.  
 (2) Tenure of office of Committee members in the current session: May 21, 2021 ~ May 20, 2024. In Year 2021, 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	Actual attendance (%) (B/A)	Remarks
Convener	Chen, Hung-Shou	2	0	100%	Re-elected on May 21, 2021 (two attendances required).
Members	Jou, Yen-Pong	1	0	100%	Re-elected on May 21, 2021; passed away on August 6, 2021 (one attendance required).
Members	Chow, Dah-Jen	2	0	100%	Re-elected on May 21, 2021 (two attendances required).
Members	Leu, Chia-Hwel	1	0	100%	By-elected and newly appointed on October 18, 2021 (one attendance required).

Other remarks:

- 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.
- 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 Committing meeting convention date and session	Agenda	Resolution	The company's response to the opinions of the members:
2021.03.04 The 7 <sup>th</sup> meeting of Session IV	1. Review of the proposal of appropriation of remuneration for directors and remuneration for employees in 2020.	Proposals 1-2 were approved by all present committee members; Article 6 of the	Proposals 1-2 were referred to the board meeting and approved by all

	2. Changed the “Regulations for Senior Manager Financial Incentive Trial Run” into the “Regulations for Financial Rewards for Senior Managers.”	“Regulations for Financial Rewards for Senior Managers” is pending detailed discussion.	present directors.
2021.12.23 The 1 <sup>st</sup> board of directors meeting of Session V	<ol style="list-style-type: none"> <li>1. Review of the Proposal for the Release of 2021 Remuneration for Senior Officers.</li> <li>2. Review of the proposal of bonus distribution for managers in 2021.</li> <li>3. Review of various salary and remuneration items for 2022.</li> </ol>	Proposals 1-3 were approved by all present committee members.	Proposals 1-3 were referred to the board meeting and approved by all present directors.

4. The makeup, responsibilities, and operation situation of the Nomination Committee: Pending setup by the Company.

(V) The implementation situation of sustainable development promotion; “Sustainable Development Best- Practice Principles for TWSE/TPEX Listed Companies” differences and reasons

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best- Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
1. Has the company established a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is handled by the senior management authorized by the board of directors, and the actual supervision of the board of directors?	v		<p>On company sustainable development promotion and execution aspect, the company has founded a full-time “sustainable development committee” entity, charged with overseeing company sustainable development 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. Completed the formulation of the “Principles for corporate social responsibility practice” in 2014, the 3rd amendment to the partial articles on March 8, 2022. Changed the name to the “principles of Sustainable Development Practice,” which was submitted to and approved by the board on March 8, 2022. In 2021, we completed the 2020 CSR Report. On June 29, 2021, we reported to the board of directors our 2020 CSR implementation plan and achievements. Further on December 23, 2021, we reported our 2021 sustainable development implementation plan and achievements (see “7. Other important information that helps the public understand sustainable development operations” for details). The 2020 CSR Report is available for downloading from the corporate website at <a href="http://www.ccpq.com.tw">http://www.ccpq.com.tw</a> (Social Responsibility section).</p>	Without a significant difference.
2. Does the company assess the risk of environmental, social, and governance (ESG) issues in relation to corporate operations based on the materiality principles and establish policies or strategies in relation to risk management?	v		<p>This disclosure covers the company's sustainable development performance at its main bases from January to December 2019. The risk assessment boundary is mainly based on the company and its subsidiary Chunghwa Yuming Healthcare Co., Ltd. Based on the materiality principle of corporate social responsibility and the materiality analysis process of issues related to sustainable development, the company conducts risk assessments on important issues, and based on the assessed risks, formulates relevant risk management policies or strategies as follows: (1) Material topic: Environmental Risk assessment items: Environmental protection Risk management policies or strategies: We have established a responsible department for environmental management to establish environmental policies, assess risks, establish related environmental management documents, acquire the required operating/operation permits, promote environmental protection activities, adopt various energy conservation and carbon reduction measures and arrange education and training courses relating to environmental protection laws and regulations to raise the environmental awareness of related departments. As always, the Company has been serious about energy</p>	Without a significant difference.

Promotion items	Performance		Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	
			<p>saving &amp; carbon reduction and greenhouse gas reduction and put forth maximum possible efforts in energy saving &amp; carbon reduction.</p> <ol style="list-style-type: none"> <li>Hands-on implementation of energy saving &amp; 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 &amp; carbon reduction.</li> <li>Implementation in water use minimization: Here at the Company, we launch an overall adoption of and replace step-by-step into water conservation machinery &amp; equipment to minimize water consumption. In respective plant zones, we have, step-by-step, installed waste water recycling machinery &amp; equipment which recycle, and treat waste water for our multiple reuses of water resources.</li> <li>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) In waste disposal, headquarters and each site have established resource sorting venues and implement resource sorting before assigning qualified contractors to dispose of related waste. (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.</li> <li>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.</li> </ol> <p>(2) Material topic: Social  Risk assessment items: Workplace equality, employee care, product responsibility  Risk management policies or strategies:</p> <ol style="list-style-type: none"> <li>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</li> </ol>

Promotion items	Performance		Summary description	Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		
			<p>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 <i>per</i> 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 protect workplace gender equality, create a friendly work environment, and provide nursery benefits for employees to nourish children without worries, we comply with the "Act of Gender Equality in Employment."</p> <p>2. Employee care initiative: We maintain equality in employee treatment; hire people by talent and conduct; make promotions by performance including contributions to the company and compliance with corporate policies and regulations; establish the labor union to maintain labor-management harmony; and respect for the freedom of association and labor union rights of all employees to protect labor human rights, improve labor intelligence, and maintain member rights and interests. We have established a consummate salary and allowance system to cover the base salary and different allowances. The employee salary and pay for overtime work are calculated based on the "Labor Standards Act" and other related laws and regulations. Allowances include management allowance, duty allowance, special work environment allowance, on-duty allowance, overtime work allowance, professional allowance, education allowance, concurrent position allowance, other allowance, and certificate allowance.</p> <p>3. Product responsibility With respect to the "Schedule for Implementation of the PIC/S GMP for Western Pharmaceuticals" promulgated by the Taiwan TFDA, new establishment, relocation, expansion, business recovery, new dosage forms, and new processing items of Western pharmaceutical companies shall comply with the PIC/S GMP to ensure high-quality medicines. Committed to accelerating the</p>	

Promotion items	Performance		Summary description	Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		
			<p>improvement and internationalization of drug quality, all sites manufacturing “drugs for human use” of this Company actively place huge investments to expand hardware and software equipment to prevent medicines from contamination and protect medicine quality. They also establish organizations and systems for strict and complete quality assurance. Sites manufacturing h drugs for human use, including Xingeng, Xinfeng II, Taichung, Tainan II, Tainan III and Tainan IV have passed the hardware and software evaluation of Taiwan FDA. They connect with the international pharmaceutical market through legal compliance to ensure quality and safety of medicine manufactured and protect the rights and interests of consumers. In view of the recurrent product recalls in recent years due to quality problems because of improper management during drug storage and transportation or counterfeit drugs, the Taiwan Food and Drug Administration (TFDA) began to request the practice the Good Distribution Practice (GDP) for all western medicinal drugs in 2011. The TFDA further announced the guidelines and schedules for implementation of the PIC/S GDP on February 18 2016 to ensure that the quality and package integrity of medicinal products delivered to patients are maintained during transportation, delivery, and storage and requested pharmaceutical companies to comply with the Pharmaceutical Inspection Convention Scheme (PICS) and GDP as of January 1, 2019. We have thus invested capitals and workforces to expand hardware equipment and implement software for drug storage and logistics. So far, the warehouses of all plants and subsidiaries have passed PIC/S GDP certification and are implementing them to ensure drug quality and safety for consumers.</p> <p>(3) Material topic: Corporate governance  Risk assessment item: Anti-corruption  Risk management policies or strategies:  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 &amp; Unethical Behaviors" which function as the very guiding grounds of the entire Company to put into implementation thoroughly accusation report against unlawful and unethical behaviors These Registration and Procedures expressly ban all CCPC personnel from accepting or offering unjustifiable interests and guide them into withdrawal from conflict involvement (recusal). In all</p>	

Promotion items	Performance		Summary description	Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		
			<p>business operation, any unethical behavior is absolutely prohibited to prevent potential occurrence of unfaithful practice. All operations and activities of this Company comply with the laws and regulations and are conducted in compliance with the laws and regulations in relation to the pharmaceutical, health product, medical devices, and healthcare services. We also uphold compliance, reasonability, integrity and ethics and the marketing practices of the Code of Practice of the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA). Therefore, we educate employees to maintain integrity in business practices and shall not request for, accept, or give bribes or other forms of duty-related undue/improper advantages for oneself or a third party, either directly or indirectly, with the powers, methods or opportunities from their duties.</p> <p>To avoid getting involved in anti-competitive behavior, anti-trust, and monopoly practices, we state in the employee's "Work Rules" that officers or the personnel department shall request for rewarding employees refusing bribes; while employees confirmed by investigation for misappropriation or embezzlement of corporate property, malpractice, or acceptance of commissions, bribes will be dismissed without prior notice within 30 days after acknowledgement for strict management of employment behaviors.</p>	
3. Environmental issues (1) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	v		<p>(1) The Company's system toward environment management</p> <ol style="list-style-type: none"> <li>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 &amp; equipment of the industrial park areas.</li> <li>2. Prevention and control of exhaust gas pollution: Establishment of air pollution control machinery &amp; equipment.</li> <li>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.</li> </ol>	Without a significant difference.

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			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.	
(2) Is the Company committed to enhancing energy utilization efficiency and using recycled materials that pose low impacts on the environment.	v		(2) 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.	Without a significant difference.
(3) Has the Company evaluated the present and future potential enterprise risks and opportunities arising from climate change, and have relevant coping measures been adopted?	v		(3) Besides causing direct impacts on business activities, climate change can lead to indirect impacts or inherent risks such as the prevalence of diseases, rise of raw material prices, or materials supply disruption. Our marketing and planning department and procurement department keep constant track on the state of climate change and raw materials supply of different countries, analyze their impacts on business operations, and draw up 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	Without a significant difference.

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies																																							
	Yes	No	Summary description																																								
			<p>machinery &amp; equipment which recycle, and treat waste water for our multiple reuses of water resources.</p> <p>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) In waste disposal, headquarters and each site have established resource sorting venues and implement resource sorting before assigning qualified contractors to dispose of related waste. (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.</p>																																								
(4) Did the Company produce statistics on the GHG emissions, water consumption, and total waste in the last two years? Has the company established policies for GHG reduction, water conservation, and waste management?	v		<p>(4) Statistics on the of GHG emissions, water consumption, and total waste in Last 2 Years</p> <p>Statistics of GHG emissions in 2020 and 2019</p> <table border="1"> <thead> <tr> <th>Scope</th> <th colspan="2">Sources of discharge</th> <th>Annual emission in 2020 Ton CO2e</th> <th>Annual emission in 2019 Ton CO2e</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Scope I Direct emission</td> <td rowspan="2">Fixed-site combustion</td> <td>Fuel oil</td> <td>5,146</td> <td>4,667</td> </tr> <tr> <td>Diesel</td> <td>1,127</td> <td>1,049</td> </tr> <tr> <td rowspan="2">Mobile combustion</td> <td>Diesel</td> <td>5</td> <td>5</td> </tr> <tr> <td>None</td> <td>0</td> <td>0</td> </tr> <tr> <td>Emission in manufacturing process Dissipation &amp; emission</td> <td>Not yet covered into greenhouse gas inventory-check</td> <td>---</td> <td>---</td> </tr> <tr> <td>Scope No. II Indirect emission of energies</td> <td colspan="2">Outsourcing electric power</td> <td>13,091</td> <td>11,072</td> </tr> <tr> <td>Scope No. III Other indirect emission</td> <td colspan="2">Not yet covered greenhouse gas inventory-check</td> <td>---</td> <td>---</td> </tr> <tr> <td colspan="3">Total</td> <td>19,369</td> <td>16,793</td> </tr> </tbody> </table> <p>Note: The greenhouse gas discharge volume of a variety of emission sources were counted with reference to the coefficients promulgated by the Environmental Protection Administration and the</p>	Scope	Sources of discharge		Annual emission in 2020 Ton CO2e	Annual emission in 2019 Ton CO2e	Scope I Direct emission	Fixed-site combustion	Fuel oil	5,146	4,667	Diesel	1,127	1,049	Mobile combustion	Diesel	5	5	None	0	0	Emission in manufacturing process Dissipation & emission	Not yet covered into greenhouse gas inventory-check	---	---	Scope No. II Indirect emission of energies	Outsourcing electric power		13,091	11,072	Scope No. III Other indirect emission	Not yet covered greenhouse gas inventory-check		---	---	Total			19,369	16,793	Without a significant difference.
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	Yes	No																								
			<p>Bureau of Energy.</p> <p>Statistics of water consumption and total waste in 2020 and 2019</p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th rowspan="2">Total water consumption</th> <th colspan="4">Types of waste</th> </tr> <tr> <th>Sludge</th> <th>Waste solution</th> <th>Chemical</th> <th>General waste</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>296,598</td> <td>39</td> <td>17</td> <td>82</td> <td>188</td> </tr> <tr> <td>2019</td> <td>232,704</td> <td>97</td> <td>15</td> <td>28</td> <td>140</td> </tr> </tbody> </table> <p>Note: Unit: M.T.</p> <p>Energy conservation and carbon reduction policy</p> <p>(1) Air-conditioning</p> <ul style="list-style-type: none"> <li>● Implementing air conditioning temperature control in summer for efficient energy use.</li> <li>● Implementing automatic daily control of air conditioning electricity supply</li> <li>● Turning off air conditioning before the end of work reduce energy consumption.</li> <li>● Changing the chiller unit to manual control on non-production days to reduce load.</li> </ul> <p>(2) Lighting</p> <ul style="list-style-type: none"> <li>● Replacing traditional high energy-consumption lighting fixtures with T5 fluorescent lamps or LED lamps.</li> <li>● Implementing lighting zone control to turn off unnecessary lighting in respective zones.</li> <li>● Turning all or part of the lighting in unoccupied or unnecessary areas during working hours.</li> <li>● Turning off all lights during lunch break.</li> <li>● Checking the lighting in all offices, officer offices, and conference rooms before the end of work.</li> </ul> <p>(3) OA equipment</p> <ul style="list-style-type: none"> <li>● Constantly installing the e-document system to reduce paper consumption, photocopying, and printing.</li> <li>● Turning off the main unit of related machines and equipment and peripheral not used for a long time to reduce standby electricity consumption.</li> <li>● Disconnecting the electricity supply of appliances or equipment not used for a long time.</li> </ul> <p>Reduced water usage management policy: Fully adopt and gradually replace water conservation facilities to reduce water usage. In respective plant zones, we have, step-by-step, installed waste water recycling machinery &amp; equipment which recycle, and treat waste water for our multiple reuses of water resources.</p> <p>Reduced other waste management policy: (1) We team up with long-term bulk pharmaceutical</p>	Year	Total water consumption	Types of waste				Sludge	Waste solution	Chemical	General waste	2020	296,598	39	17	82	188	2019	232,704	97	15	28	140	
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Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>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.</p> <p>(2) In waste disposal, headquarters and each site have established resource sorting venues and implement resource sorting before assigning qualified contractors to dispose of related waste.</p> <p>(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.</p>	
<p>4. Social issues</p> <p>(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?</p>	v		<p>(1) This Company is committed to maintaining the basic human rights of employees and shaping a work environment for human rights protection. We recognize and support international human rights conventions, such as “The Universal Declaration of Human Rights,” “The United Nations Global Compact” and the “Declaration of Fundamental Principles and Rights at Work” of the International Labour Organisation, and thus establish our human rights management policy and SOPs. (The report details are as follows 7. Other important information that help understand the CSR operation:</p>	Without a significant difference.
<p>(2) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in the remuneration for employees?</p>	v		<p>(2) In employee benefits, we have established a comprehensive welfare system and sound retirement regulations that comply with the law.</p> <p>(1) 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.</p> <p>(2) 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</p>	Without a significant difference.

Promotion items	Performance		Summary description	Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		
			<p>performance evaluation and special incentives). The base salaries are granted on a monthly basis to regular employees within the organization chart. The salary for extended services (overtime pay) is duly counted and granted in accordance with the Labor Standards Act and other laws and ordinances concerned. The business units grant performance incentive awards pursuant to accomplishment by employees under the specified targets. At end of every year, the Company evaluates employees about their performance, interactions with their supervisory heads, teamwork performance and accomplishment of assigned duties and grants year-end bonus accordingly. In case of extraordinary contributions, the Company would report to the chairman for approval to grant extraordinary incentives.</p> <p>(3) 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 we gave employees a raise by 0.5%. In 2017 we rewarded employees with the stock ownership plan equivalent to a raise by about 3%. In 2018 we gave employees a raise by 5%. In 2020 we gave employees a raise by 5%.</p> <p>(4) We have established the "Labor Retirement Fund Supervision Committee" by law. Besides periodically depositing our contribution to the Bank of Taiwan (formerly Central Trust of China). The committee holds committee meeting regularly to review the status of contribution and utilization of the retirement fund to protect the rights and interests of employees. By December 31, 2021, the contribution of the retirement fund totaled NT\$287,750,000. In addition, for employees selecting the scheme under the Labor Pension Act, every month we contribute 6% of their salary to their personal accounts at the Bureau of Labor Insurance. In 2021, the contribution totaled NT\$22,027,000.</p> <p>(5) We introduce the employee share ownership trust (ESOT) program. Under the program, employees deposit a fixed amount of their salary, while the Company also deposits a fixed amount in response to reward employees. Such funds are invested in the Company's stock to stimulate employees and the Company to work hard and share the achievements together.</p>	

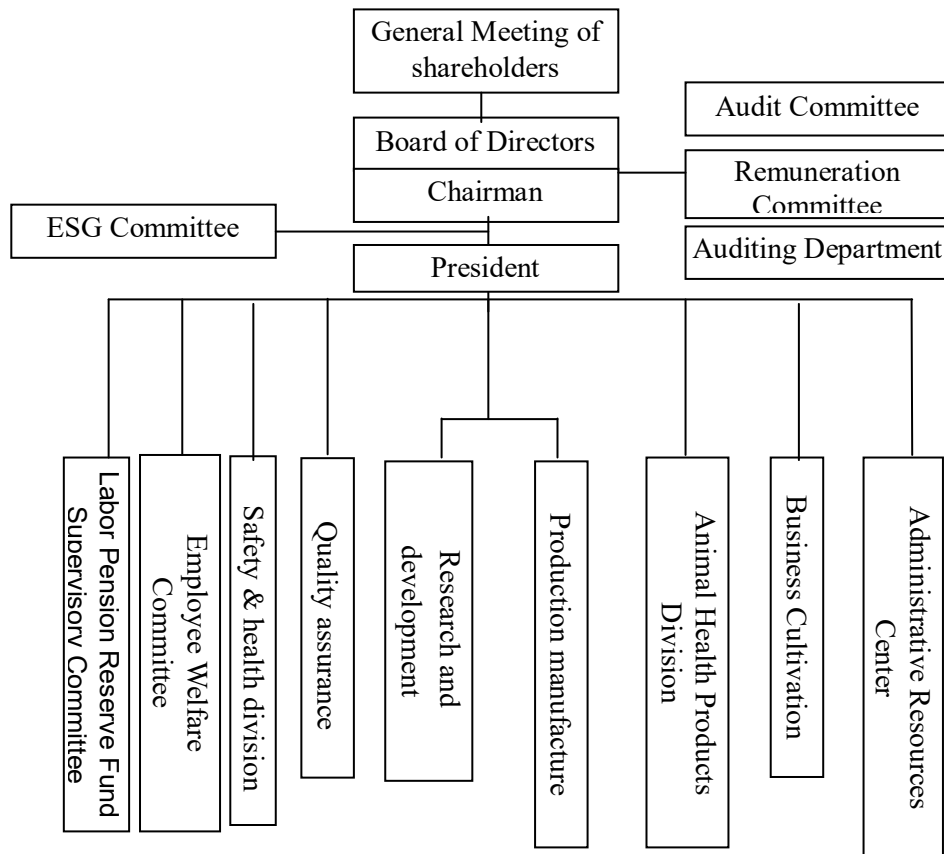
Promotion items	Performance		Summary description	Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	v		<p>(3) We provide employees with safe, sound and healthful working environments.</p> <p>To assure safety &amp; health care and protection over employees, here in the Company, "Labor Safety &amp; Health Committee" and safety &amp; health supervisory heads and safety &amp; health managerial members have been set up and staffed in all plant zones to conduct safety &amp; health examinations on a regular basis and submitted the records of safety &amp; health examinations to the Labor Inspection Institution of the Ministry of Labor. Besides, the Company arrange and sponsor safety &amp; health oriented educational &amp; training programs to assure sound working environments and employee health.</p> <p>The safety &amp; health protection and health rendered to employees include:</p> <ol style="list-style-type: none"> <li>1. Procurement of dusk masks, helmets, footwear and gloves which are provided to all employees into use.</li> <li>2. For hazardous machinery &amp; equipment, the Company assigns qualified professional technicians to conduct maintenance &amp; upkeep services and inspection on a regular basis and to take charge of routine operation and management. All such technicians receive higher educational &amp; training programs under the Company's arrangement.</li> <li>3. The Company sets up warehouses for hazardous substances which are under prudential management by special duty oriented colleagues who hold required licenses/certificates.</li> <li>4. The Company sets up sound explosion-proof lights and blast-resistant doors as well as such high-tech facilities.</li> <li>5. Under the Company's arrangements, all employees receive safety &amp; health oriented educational &amp; training programs on a regular basis.</li> <li>6. On a regular basis, the Company takes charge of cleansing, inspection to assure security and firm performance of the entire environments and equipment.</li> <li>7. All employees serving with all plant zones receive sound labor health examinations on an annual basis.</li> <li>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 &amp; Settlement Committee" which takes charge of investigation, settlement and evaluation of sexual harassment grievance cases.</li> </ol>	Without a significant difference.
(4) Does the Company have an effective career capacity development training program established for the employees?	v		<p>(4) Cultivation &amp; training programs for employees</p> <p>We have worked out sound cultivation &amp; 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</p>	Without a significant difference.

Promotion items	Performance		Summary description	Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		
			<p>cohesion.</p> <p>1. In terms of short-term programs: (1) With reference to the outcome of performance evaluation rendered by all department heads and evaluation of technical systems, we evaluate employees in each and every position category in two capability items, i.e., professional skills and general know-how and the gaps of their actual expertise and the requirements. Accordingly we carry out reinforcement educational &amp; 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 &amp; training programs. (3) In response to machinery &amp; equipment newly procured by the Company in a year, the Company would arrange relevant employees into the professional cultivation &amp; training programs to help employees enhance their capability to operate and use such newly equipped machinery &amp; 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.</p> <p>2. In terms of mid-term and long-term training programs: (1) On the grounds of the Company's vision and strategic maps, the Company would devise and launch general educational curricula in three phases in nine years for the reserve cadres and executive heads in various levels. The Company also arranges the staff members to receive in-house training programs for the special skills in various levels. (2) Exactly based on the short, mid- and long-term targets, the Company would map out sound plans for 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 &amp; training programs at home and abroad exactly in accordance with "Regulations Governing Incentives Granted to Encourage Employees into Higher Education". (5) To meet the need for the Company's business operation ready to get geared with the international community, the Company sponsors training programs in English.</p>	

Promotion items	Performance		Summary description	Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No		
(5) Targeting product and service-related customer health and safety, customer privacy, marketing and labeling, and other issues, is the Company complying with relevant laws and regulations and international standards? Have related consumer protection or customer rights policies and compliant procedures been formulated?	v		(5) “For the better, healthier and safer life of humankind, we are committed to providing health-related products and services” is our business philosophy, while achieving “customer satisfaction” and “ultimate quality” are our goals; therefore, quality is essential to our operations. In addition, we uphold legal compliance to prohibit the sales of controversial products. If violations are detected, we immediately form a task force to make improvements and plan and implement preventive measures to make continual improvement. To establish a procedure for handling customer complaints or reports of defective medical products or adverse drug reactions in order to complete root cause analysis and take effective countermeasures immediately after receiving a customer complaint to protect the rights and interests of consumers, ensure the safe drug use, and maintain corporate reputation, we have specifically established the “Customer Complaint Handling SOP” to provide a dependable reference and handle complaints or reports based on the frequency of occurrence and severity of hazard. In addition, besides setting up a dedicated website to integrate all affiliates and provide customer service, we have established customer helplines and e-mails for different business units: human drug products (drugs for human use), veterinary drug products (animal health products), cleansing and beauty, homecare services, and others to provide consultation service and handle complaints for customers. 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. 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	Without a significant difference.

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			voluntary specifications.	
(6) Has the company established policies for management to request suppliers to comply with the relevant laws and regulations of environmental protection, occupational safety and health, and labor human rights? Does the company keep track on the implementation of such policies?	v		(6) 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). 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.	Without a significant difference.
5. Did the company, following internationally recognized guidelines, prepare and publish reports such as its sustainable development report to disclose non-financial information of the company? Did the company apply for assurance or guarantee of such reports to a third-party certification body?	v		We already completed the Report of Corporate Social Responsibility (CSR) 2020 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: <a href="http://www.ccp.com.tw/">http://www.ccp.com.tw/</a> (Special Zone of Corporate Social Responsibility (CSR)). 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.	Without a significant difference.
6. Where a Company has worked out sustainable development Guiding Principles in accordance with the "Sustainable Development 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 "Sustainable Development Best Practice Principles" where the substantial performance shows no significant differential gap from the Practice Principle.				
7. Other important information to help understand the promotion of sustainable development: (1) ESG governance structure:				

Promotion items	Performance		Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	



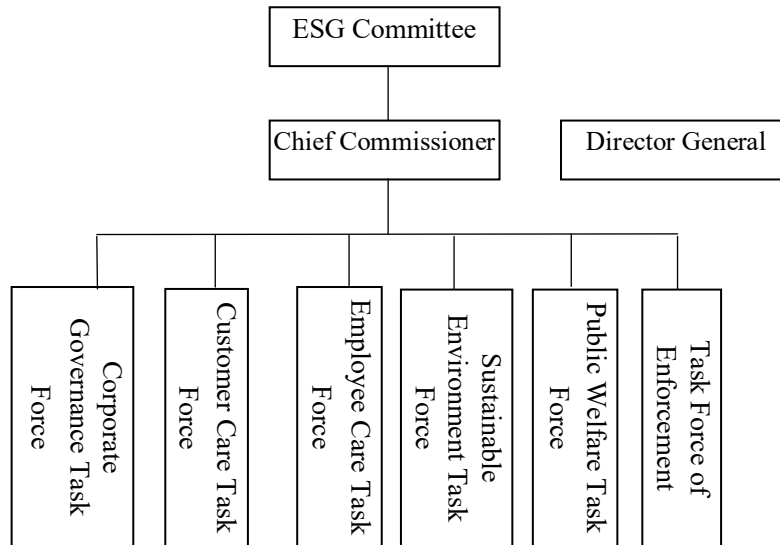
In an attempt to fulfill Sustainable Development (ESG) with focus on environment, industrial safety, society, corporate governance and sustainable development, China Chemical & Pharmaceutical Co., Ltd. has specifically founded the "CSR Committee" to put into implementation thoroughly CSR related issued, 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. Main responsibilities of ESG Committee:

1. Formulate and promote sustainable development policies.
2. Review sustainable development management system operations.
3. Evaluate the Company's Sustainable Development 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. Compile sustainable reports.

Promotion items	Performance		Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	

ESG Committee organization:



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:

1. On December 23, 2021 the board of directors reported the projects implemented in 2021 and their achievements:

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>(1) Completed and published the 2020 CSR report on June 24, 2021.</p> <p>(2) Equal working ambiance</p> <p>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 <i>per</i> 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.</p> <p>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 2020 indicating that employees were eligible to apply for childbirth with positions withheld and pay suspended for approximately 31 male employees and approximately 22 female employees at CCPC, and approximately 22 male employees and approximately 22 female employees at CCPG, totaling 97 employees. The contract ended in 2020. The actual number of employees applying for unpaid parental leave of the CCPC and CYH included 0 male and 10 female employees, and five female employees did return to work after parental leave, including 89% at the CCPC and 0% at the CYH. We will continue to care about the work adjustment of employees who returned to work after parental leave. Four other employees who did not return to work after parental leave because their family are still in need of care. From 2019 to 2020, the ratio of employee parental leave, leave without pay, work resumption and serving for at least a period of one year accounted for 100%.</p> <p>(3) Fundamental employee training</p> <p>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.</p> <p>For new employees to know and understand the work environment more quickly, recognize this Company's business philosophy and management style, and acquire professional skills and participate in actual work earlier, the CCPC organized four sessions new employee education and training in 2020. Apart from introducing the history, organizational framework, two-way communication with the chairperson, regulations and systems, administration, and products (including drugs for human use, household products, healthcare products, and veterinary medicines) of the Company and the experience sharing with senior employees, we have arranged general education courses, including "Happy with Work and Joy with Learning," "Workplace Ethics and Morality" and "Career Development and Career Planning," to help employees understand their own traits and make career planning. A total of 63 incoming personnel (including foreign personnel) attended four training course sessions. 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.</p>	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	

(4) Environmental issues

In all production plant zones, CCPC has set up independent air pollution preventive equipment & facilities which securely treats the exhaust gases yielded from the manufacturing process before emitting it into the atmosphere. The waste water of Shin Fong Plant Zone is guided into the 500-ton biological & chemical treatment tank established inside the plant zone through precipitation process to exactly satisfy the national water quality control standards before being emitted out of the plant. In other plant zones, all waste, sewer water are guided into the sewer water treatment systems of the local industrial area where the plants are in. 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 2017~2020

Year	Power conservation (meter count/year)	Diesel volume conserved (liters/year)	Heavy oil volume conserved (Kiloliter/year)	CO2 reduced (M.T.)/year
2020	2,679,749	60,633	2,000	1,861
2019	1,743,791	45,909	52,000	1,203
2018	1,588,705	41,633	52,000	1,108
2017	1,408,181	37,954	70,000	1,061

(5) Social contribution and philanthropy

Under CCPC philosophy "taken from society/give back to society", we have earnestly teamed up with Chungwa 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.

1. Industry-academia collaboration: We offer opportunities for internship and work experience for colleges and universities at home and abroad through industry-academe collaboration. In 2020, we offered opportunities for internship for 59 students from National Taiwan University, National Cheng Kung University, China Medical University, Chia Nan University of Pharmacy and Science, National Chin-Yi University of Technology, Minghsin University of Science and Technology, National Yunlin University of Science and Technology, Chung Hwa University of Medical Technology, National Pingtung University of Science and Technology, and Yuanpei University of Medical Technology. Apart from stimulating thinking, creativity, practice and research in students, we enable students to understand the true pharmaceutical industry and to warm them up for entry.
2. Philanthropy: We support vulnerable groups and sponsor medical resources, reward medical and pharmaceutical academic research to develop medical and pharmaceutical education, arrange instructional speeches to realize health education, and organize charitable sales for social welfare business.

(6) Other social responsibilities

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,

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>with hands-on heritage of the very spirit upheld by Mr. Wang Min-Ning. Wang Min-Ning Memorial Foundation was founded in 1989. Since then we have spared no effort to encourage pharmaceutical manufacture oriented research &amp; development as our supreme guiding policy. Other than these efforts, we have granted financial assistance and scholarships toward high-level professionals into academic research &amp; 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. In 1991 we founded the “Wang Ming-Ning Awards” and established two awards: “Award for Medical and Pharmaceutical Research’s Outstanding Contributions to Human Health” and “Outstanding Domestic Medical Pharmaceutical Doctoral Dissertation Award.” Over the past 30 years, 267 scholars and physicians have passed the stringent evaluation of the review panel and award-winning works cover fundamental medicine, clinical medicine and pharmacy. In addition to being a well-known award to constantly support medical and pharmaceutical academic development in civilian groups, the independence, impartiality and transparency of its evaluation have earned recognition from the medical and pharmaceutical circles.</p> <p>2. On December 23, 2021 the board of directors reported the projects implemented in 2021 and their achievements:</p> <p>(1) Governance framework, policy, and approach</p> <ol style="list-style-type: none"> <li>1. To enforce and implement the CSR policy, we have established the CSR Committee and fully disclosed the CCPC’s the material aspects, management approaches, performance indicators, and indicator measurement in the economic, environmental, social, and product categories.</li> <li>2. CSR Committee's key responsibilities and powers: <ol style="list-style-type: none"> <li>(1) Stipulate and promote CSR related policies.</li> <li>(2) Reassess operation of CSR management system.</li> <li>(3) Evaluate the Company's CSR policy targets, strategies and action plans, and instruct and trace the progress and improvement in the performance.</li> <li>(4) To routinely report the yearly execution plan and findings (at least once every year) to the management board.</li> <li>(5) Work out CSR Reports.</li> </ol> </li> <li>3. Based on different functions, there are the governance team, customer care team, employee care team, environmental sustainability team, social welfare team, and implementation team formed by members from the administration, finance and accounting, human resources, management, sales, procurement, QA, manufacturing, safety and health, and audit units. Corporate resources are integrated to review the performance in CSR and legal compliance and the effectiveness of implementation in terms of governance, product responsibility, environmental sustainability, employee care, and social justice.</li> <li>4. Based on the business philosophy: “Honesty, Selflessness, Reciprocity, and Fraternity”, we put CSR a part of our corporate culture. To practice and fulfill CSR we have established the “Corporate Social Responsibility Best Practice Principles” to implement corporate governance, develop a sustainable environment, maintain social justice, and enhance CSR information disclosure. While pursuing sustainable business development and profit, we actively practice CSR to keep up with the global trend of balancing environmental, social, and governance (ESG) development, as well as contribute to national economic development and improve the well-being of employees, communities, and societies by assuming the accountability of a corporate citizen. The head of related units promotes various activities to ensure the unflinching implementation of the CSR policy.</li> </ol> <p>(2) Corporate social responsibility operation and implementation.</p> <ol style="list-style-type: none"> <li>1. We have included the “Corporate Social Responsibility Best Practice Principles” and Human Rights Policy” in the pre-service education and training of new employees to implement the policies for human rights protection, treat well and value all employees, and publicize to all employees the management’s determination to enforce CSR. By 2021, we provided four training session for 63 new employees. In addition, we have also disclosed our “Corporate Social Responsibility Best Practice Principles” and Human Rights Policy” on the corporate website for employees and</li> </ol>	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	

outsiders to access anywhere anytime.

2. Status of implementation

- (1) We have established the “Human Rights Policy” to maintain the basic human rights of employees, shape an environment for the total protection of human rights, and identify with and support the “Universal Declaration of Human Rights” and “Global Pact” of the United Nations and the “International Labour Convention” announced by the International Labour Organization. We also request partners to eliminate abuse or violation of human rights to ensure members within and outside of the company are treated with equity and dignity.
- (2) Major charity and donation activities
  - Organized charity talks through collaboration of Wang Ming-Ning Memorial Foundation and the CSCC.
  - Sponsored the donation of anti-pandemic medical products to the Taipei City Government.
  - Sponsored the donation of medical supplies to nursing personnel nationwide.
  - Sponsored the donation of hand sanitizers to the Taipei City Hospital.
  - Sponsored the donation of products to disadvantaged groups.
  - During the period of the COVID-19 pandemic, NTD3 million worth of materials and supplies have been donated to vulnerable city residents and long-term care institutions.
- (3) In 2021, Lian-An Clinic and the Cardinal Tien Hospital were dedicated to health checkups for employees in the head office; Yeezen General Hospital is dedicated to health checkups for employees in the Hsin Feng plant; the Dajia Li hospital is dedicated to health checkups for employees in the Taichung plant; the Chi Mei Medical Center is dedicated to health checkups for employees in the Tainan Plant.
- (4) The Wang Ming-Ning Memorial Foundation focuses on pharmaceutical academic research, the development of pharmaceutical education, and talent cultivation for the biotech industry. In 2021, scholarships were granted to professionals engaged in academic research and research, with NTD5.9 million cash awarded.
- (5) Besides establishing an in-house emergency response task force according to the Fire Services Act and Environmental Protection Act, we equip the required first-aid and rescue equipment in the plants and organize the fire and chemical disaster drills every year.
- (6) Sustainable Environment:

Aspect	Climate risk	Climate opportunity	Performance
Regulatory	<ol style="list-style-type: none"> <li>1. Carbon price and carbon tax collection</li> <li>2. Reporting obligations of GHG emissions</li> </ol>	<ol style="list-style-type: none"> <li>1. Collect information regarding environmental protection laws and regulations at home and abroad and their changes to develop countermeasures and promote various energy conservation programs.</li> <li>2. Investigate GHG emissions and energy consumption.</li> </ol>	<ol style="list-style-type: none"> <li>1. Promoting various energy conservation programs: Energy conservation programs promoted in 2020 saved electricity up to 935,958 kWh.</li> <li>2. Although GHG emissions have not been included in our controls and we do not need to disclose related information periodically, we still voluntarily inventory scopes I and II GHG emissions every year and keep constant track on the changes in related laws and regulations at home and abroad to understand the global trends and make early responses.</li> </ol>
Economic	<ol style="list-style-type: none"> <li>1. Operations interruption</li> <li>2. Financial losses</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategically disperse the procurement risk of raw materials and periodically make optimal stock planning.</li> <li>2. Asset preservation</li> </ol>	<ol style="list-style-type: none"> <li>1. Maintain at least two suppliers for most major materials to prevent procurement risk; assess materials stock regularly to prevent supply disruption by extreme weather events; and implement process safety management to ensure operational safety.</li> <li>2. Buy proper insurance to prevent losses from theft or disasters and maintain data safety.</li> </ol>
Environment	<ol style="list-style-type: none"> <li>1. Power supply shortages</li> <li>2. GHG</li> </ol>	<ol style="list-style-type: none"> <li>1. Periodically maintain and service equipment, check the need for replacement, and replace old equipment</li> </ol>	<ol style="list-style-type: none"> <li>1. Promote various energy conservation programs, such as replacement of old equipment, installation of inverters on equipment, and replacement of water-efficient and energy-efficient equipment and devices.</li> </ol>

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
	emission increases	in advance. 2. Constantly implement energy conservation and carbon reduction.	In 2020 we replaced three water chillers. 2. Constantly implement energy conservation and carbon reduction by using low-pollution fuels. Energy conservation measures were promoted in 2020. Diesel fuel usage decreased by 14,724 liters compared to 2019.	
Social	Industry reputation	Establish good communication methods with different stakeholder groups.	Proactively respond to topics that concern stakeholders.	

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

Stakeholders	Response method/communication means	Communication frequency	Issues of serious concern
Investors/ banks	<ul style="list-style-type: none"> <li>•General Meeting of shareholders</li> <li>•The corporate website and e-mail</li> <li>•The Company's Annual Report</li> <li>•Market Observation Post System (MOPS)</li> <li>•Contact point: Finance Division Ms. Cheng Mei-Lien Tel: (02)2312-4200 Ext. 339 e-mail: candy.cheng@ccpc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>•Once every year</li> <li>•Unscheduled, at all times</li> <li>•Once every year</li> <li>•Announced as regulated</li> </ul>	<ul style="list-style-type: none"> <li>•Strategy for sustainable development/risk management</li> <li>•corporate governance</li> <li>•Sales and sales operation in the markets</li> <li>•Research &amp; development and innovation</li> </ul>
Employee	<ul style="list-style-type: none"> <li>•Labor Safety &amp; Health Committee</li> <li>•Unions</li> <li>•General Manager's mailbox</li> <li>•Amicable talks between the unit heads the employees</li> <li>•Employee Welfare Committee</li> <li>•Contact window: human resources and administrative division Ms. Chou Shu-Mei Tel: (02)2312-4200 Ext. 276 e-mail: shumei.chou@ccpc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>•Once every quarter</li> <li>•One every quarter, at all times</li> <li>•Unscheduled, at all times</li> <li>•Unscheduled, at all times</li> <li>•One every quarter, at all times</li> </ul>	<ul style="list-style-type: none"> <li>•Industrial safety</li> <li>•Occupational safety &amp; health</li> <li>•Training development &amp; education</li> </ul>
Raw materials suppliers/ product suppliers	<ul style="list-style-type: none"> <li>•Visits to suppliers</li> <li>•Evaluation of suppliers</li> <li>•Contact point: Property Division Ms. Chang Pi-Hua Tel: (02)2312-4200 Ext. 211 e-mail: sophia.chang@ccpc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>•Unscheduled</li> <li>•Unscheduled</li> </ul>	<ul style="list-style-type: none"> <li>•Strategy for sustainable development/risk management</li> <li>•Supply chain management</li> <li>•Law compliance</li> <li>•corporate governance</li> <li>•Bulk pharmaceutical chemicals (BPC) management</li> <li>•Business ethics</li> <li>•Sales and sales operation in the markets</li> </ul>
Customers/distributors	<ul style="list-style-type: none"> <li>•Customer interviews</li> <li>•Introduction to products through the Company's website and the services thereof</li> <li>•Interview with salespeople (customers' opinions or grievance)</li> <li>•Contact window: the administrative services division Ms. Hu Hui-Lan Tel: (02)8253-8700 Ext. 710 e-mail : mango.hu@ccpc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>•Unscheduled</li> <li>•Unscheduled</li> <li>•Unscheduled</li> </ul>	<ul style="list-style-type: none"> <li>•Accurate uses of pharmaceuticals</li> <li>•Health and safety</li> <li>•Sales and sales operation in the markets</li> </ul>

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
Academic pharmaceutical organizations			<ul style="list-style-type: none"> <li>•To participate in trade association, organizational associations and academic associations' activities</li> <li>•Unscheduled visitation exchanges</li> <li>•Contact window: The public affairs division Ms. Chen, Yi-Fen Tel: (02)2312-4200 Ext. 712 e-mail : tiffany.chen@ccpc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>•Unscheduled</li> <li>•Strategy for sustainable development/risk management</li> <li>•Sales and sales operation in the markets</li> <li>•Research &amp; development and innovation</li> </ul>
Trade association and organizational associations			<ul style="list-style-type: none"> <li>•To participate in trade association, organizational associations and academic associations' activities</li> <li>•Unscheduled visitation exchanges</li> <li>•Contact window: The public affairs division Ms. Chen, Yi-Fen Tel: (02)2312-4200 Ext. 712 e-mail : tiffany.chen@ccpc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>•Unscheduled</li> <li>•Law compliance</li> <li>•Business ethics</li> <li>•Research &amp; development and innovation</li> </ul>

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.

(3) Human rights management policy:

1. In an effort to safeguard employees in their fundamental human rights and create a working ambience 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.
2. The present policy is equally applicable to all CCPC subsidiaries, affiliates, juristic persons and foundations directly donated and set up by the Company and other organizations and juristic persons similar to a company.
3. In this well diversified CCPC family, under no circumstances shall an employee or any single person is under discrimination as a result of gender, sexual orientation, ethnic races, class, ages, marital status, languages, religion, partisanship, birthplaces, native places, appearance, physical organs, mentally and physically handicapping fact or union membership. The Company faithfully complies with gender equality related laws and ordinances. The Company does not hire a child worker, does not 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 ambience, 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.
4. Here at CCPC, we honor and support all employees to organize and join union(s). Amidst the harmonious working environment, we offer and back up sound and smooth channels for communications with the

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>Union(s) and the employees, i.e., the Union members.</p> <p>5. The Company has, exactly pursuant to the environment related laws and regulations enacted and promulgated by the nation, put forth maximum possible efforts to conserve national environments. During the process of sustainable development, we simultaneously accomplish the goals of sustainable environments.</p> <p>6. In an attempt to safeguard customers, employees and all interested parties linked up with the Company's business operation in their privacy, we have set up sound and comprehensive managerial mechanism for information security. Besides, we commit ourselves to strict compliance with all control and safeguarding measures to assure their sound privacy.</p> <p>(4) Human rights management SOP:</p> <p>1. Human rights mitigation measures</p> <p>① Provision of a safe and healthy work environment: Starting from the Occupational Safety and Health Act, we ensure occupational safety and health in the workplace environment and fund health checkup for employees periodically to ensure the physical health of employees to maintain daily work and life.</p> <p>② No discrimination and equal opportunity: We abide by the “CCPC Human Rights Policy” and various labor regulations; enforce workplace diversity; and do not engage in differential treatment or discrimination of any form based on gender, sexual orientation, race, social class, age, marital status, language, ideology, religion, political party, native place, place of birth, look, facial features, mental/physical disabilities, or union membership.</p> <p>③ No child labor: We abide by the “CCPC Human Rights Policy” and various labor laws and regulations to hire only legal-age candidates and check the identity and age of the hires to ensure no illegal hiring of employees.</p> <p>④ Ban forced labor: We abide by the “CCPC Human Rights Policy” and various labor laws and regulations to not force employees to engage in involuntary labor or related behaviors through violence or threat.</p> <p>⑤ Assistance for balancing mental and physical health and work and life: We support and help departments to establish and maintain various sports clubs and teams, such as the softball team, and organize software competitions and sports meets every year to encourage employees to promote physical and mental health through sports after work.</p> <p>2. Education and training measures for human rights</p> <p>① Open disclosure to applicants: When interviewing applicants, we appropriately disclose the “CCPC Human Rights Policy” and related contents and measures for them to preliminarily understand the related regulations of this Company.</p> <p>② Annual education and training for new employees: Every year at the new employee training, apart from publicizing labor-related laws and regulations, we explain the “CCPC Human Rights Policy” to ensure employees understand their rights and interests after joining the Company and help the Company promote related human rights measures.</p> <p>③ Annual recurrent education and training for employees: Based on the rules relating to education and training, at the annual education and training for employees, apart from publicizing labor-related laws and regulations, we explain the “CCPC Human Rights Policy” to ensure employees understand their rights and interests after joining the Company and help the Company promote related human rights measures.</p> <p>3. Periodically review and assess related systems and practices. In addition to the worldwide human rights conventions, such as the “Universal Declaration of Human Rights”, “United Nations Global Compact”, and “International Labour Convention”, to achieve the ultimate goal of human rights protection and keep up with the constantly updating human rights, we will keep pace with the latest human rights and keep track on issues related to human rights to timely review, assess, and improve the “CCPC Human Rights Policy” and related systems and practices.</p>	

(VI) Performance in ethical corporate management inconsistency with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM- Listed Companies and the reasons
	Yes	No	Summary description	
<p>1. Business Integrity Policy and action plans</p> <p>(1) Has the company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?</p> <p>(2) Has the company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?”</p> <p>(3) Has the company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and periodically review them?</p>	v		<p>(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. The board meeting on November 12, 2014 approved the establishment of the “Corporate Governance Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” and related SOPs to stipulate and institutionalize the ethical management policy for the reference of ethical management. The second amendment was made on August 11, 2020 and approved by the board. Members of both the senior management and board of directors uphold business ethics and integrity to supervise business operations to fulfill the commitment of our business policy and thereby create an environment for sustainable business development.</p> <p>(2) With respect to Article 6 of the “Procedures for Ethical Management and Guidelines for Conduct”, the unit dedicated to implementing ethical corporate management defines and periodically analyzes and assesses unethical behavior within the scope of business, draw up plans for preventing unethical behavior, and establish work-related SOPs and guidelines for conduct in individual plans. The SOP stipulates the prohibition of unethical behaviors, such as giving and taking bribes, providing or accepting undue (improper) advantages, providing or promising facilitation fees, providing illegal political contributions, engaging in unfair competitive behavior, improper</p>	Without a significant difference.

			<p>charitable donations or sponsorships, disclosing trade secrets, and damaging the rights and interests of stakeholders; the adoption of preventive measures; and organization of related education, training, and publicity activities for employees to fully understand the importance of ethical behavior in order to enforce the ethical corporate management policy.</p> <p>(3) We have established the “Procedures for Ethical Management and Guidelines for Conduct” and the “Regulations for Reporting Illegal and Unethical Behaviors or Handling Reports of Unethical Behaviors” to state the standard operating procedures for preventing unethical behaviors and the reporting procedures, grievance channels, and punishment of violations for the reference of implementing ethical corporate management and handling reports of illegal behaviors or violations of the code of ethical conduct and ethical corporate management rules. In the promotion and implementation of the ethical corporate management policy, at the pre-service training for new employees, we include in the related courses the description of the Company’s ethical corporate management concept and professional ethics, the introduction of the “Procedures for Ethical Management and Guidelines for Conduct” and laws and regulations required for compliance. A dedicated department (HR &amp; Administration Division) reports periodically to the board of directors the performance of the ethical corporate management policy and regularly review and revise related SOPs. Through the audit mechanism of the internal audit unit, we prevent business activities involving unethical behavior, such as giving and taking bribes, and providing illegal political contributions.</p> <p>"Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" and "Regulations Governing Accusation Report of Unlawful &amp; Unethical Behaviors" and the implementation are disclosed through the Company's website <a href="http://www.ccp.com.tw">http://www.ccp.com.tw</a> (Investors' special zone → corporate governance).</p>	
<p>2. Proper enforcement of business integrity</p> <p>(1) Does the company have the integrity of the trade counterparty assessed and with</p>	v		<p>(1) The Company engages in business operation exactly under the fair, honest, trustworthy and transparent principles. Via the Company's credit investigation process, we do definitely check and make</p>	<p>Without a significant difference.</p>

<p>the code of integrity expressed in the contract signed?</p> <p>(2) Has the company established a dedicated (concurrent) unit to implement ethical corporate management under BOD and report regularly (at least once a year) to BOD the status of implementation and supervision of the ethical management policy and preventive programs of unethical behavior?</p> <p>(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?</p> <p>(4) Has the company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior or hire a CPA to perform the audit?</p> <p>(5) Has the Company organized corporate management internal and external education and training programs on a regular basis?</p>		<p>sure of the Company's agents, suppliers, customers and other counterparts in business operation about their legality and practice in faithfulness, about whether they have involved any unfaithful practice previously to prevent CCPC from engaging in business transaction with an unethical counterpart. Whenever the Company executes a contract on business, we definitely assure that the contract contents should contain good faith management policies with such definite clause: Whenever a business counterpart is found or alleged to get involved in unethical behaviors, the Company is entitled to have the Agreement terminated or rescinded forthwith.</p> <p>(2) We assign the HR and administration units to take charge of the promotion and implementation of ethical management, assist the board and management to establish the ethical management strategy, supervise its implementation, and take actions to prevent unethical behavior to ensure the "Ethical Corporate Management Best Practice Principles" are implemented. These units also report the effectiveness of implementation to the board at least once a year. Besides exercising the due care of a good administrator to supervise and prevent unethical behavior in this Company, the board reviews the effectiveness of implementation and make continual improvement at any time to ensure ethical management is achieved. The Human Resource and Administrative Division reported on the integrity management policy implementation in the 2021 report at the 25<sup>th</sup> board of directors meeting (5<sup>th</sup> session) on November 8, 2021. (See report content in 6. Other important information that aids in understanding the integrity of company management operations.)</p> <p>(3) Under the Company's regulations &amp; 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 conflict in interests amidst routine</p>	
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		<p>business operation, the Company has set up sound channels for grievance and complaint, mailbox and special phone number ready to accept accusation reports.</p> <p>(4) The Company has set up and implemented effective accounting system, internal control system, internal audit system as well as a variety of managerial rules. The Company's Audit Office conducts routine sample check about the hands-on practice and implementation.</p> <p>(5) The Company has duly stipulated strict working regulations governing employees in their practice at work and rules about what employees must know. The good faith management philosophy, professional ethics, "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management", law compliance and such CCPC policy are provided as the very essential elements in the pre-employment training programs for newcomers and other routine training programs. Performance of education, training, and publicity in 2021 (see Annex 6 Other material information that helps understand the operation of the company's ethical corporate management for details).</p>	
<p>3. The operations of the Company's Report System</p> <p>(1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p> <p>(2) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?</p> <p>(3) Has the Company taken proper measures to protect the whistleblowers from suffering any consequence of reporting an incident?</p>	v	<p>(1) Under the "Regulations Governing Accusation Report of Unlawful &amp; Unethical Behaviors" enacted by the Company, CCPC encourages both insiders and outsiders to launch accusation reports against unethical, unfaithful or unjustifiable behaviors. Where an accusation report justifies the accused facts with outcome of the investigation, the case will be reported to the general manager to grant incentive awards as the actual facts may justify. Where, on the other hand, a CCPC insider proves to report a false accusation in a malicious intent, such accuser shall receive right disciplines or shall be even dismissed from employment in a serious offense. The Company has set up accusation &amp; complaint mailbox report@ccpc.com.tw, with special phone number (0223124219) 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.</p> <p>(2) The Company has stipulated "Regulations Governing Accusation Report of Unlawful &amp; Unethical</p>	Without a significant difference.

			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 2021, the Company did not receive an accusation report.	
4. Enhanced information disclosure 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 ( <a href="http://www.ccp.com.tw">http://www.ccp.com.tw</a> ) 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. If the company has established own ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please state performance and differences: We have established the "Procedures for Ethical Management and Guidelines for Conduct" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" and related laws and regulations. In business operations, we follow the specifications in the "Procedures for Ethical Management and Guidelines for Conduct." The Company's hands-on performance shows no significant differential gap from the specified regulations.				
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) With respect to revision of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" on February 13, 2020 announced by the Taiwan Stock Exchange in Letter Tai-Zheng-Zhi-Li-Zi No. 1090002299, we made the second amendment to related regulations of the "Ethical Corporate Management Best Practice Principles" on August 11, 2020. The amendment was approved by the board on the same day. (2) The honest, integral operations' execution status report in 2021: Responsible unit: human resources and administrative division The 5th board of directors meeting of Session XXV convened on November 8, 2021 the board of directors reported the projects implemented in 2021 and their achievements: 1. Formulating the honesty operations procedure and conduct guideline: It was established on October 16, 2014, approved by the board on November 12, 2014. The second				

amendment was made on August 11, 2020 and approved by the board on the same day. It was also published on the corporate Notes e-document “Regulations” system and the corporate 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:
    - ① On September 17, 2021, we arranged the “Ethical Corporate Management Best Practice Principles”, internal control system and related regulations, and for the education and training for 16 new employees, totaling 128 man-hours.
    - ② In 2021, the QA and pharmaceutical R&D departments of all sites organized internal training courses relating to the PIC/S GMP for 6,440 participant-times with a total of 10,706 man-hours.
  - (2) Chunghwa Yuming Healthcare Co., Ltd.:  
At three education/training activities for new employees in March, June and September 2021, besides the “3 No’s Policy: No Embezzlement, No Resales, No Side-line Job”, we also arranged courses that related to the Pharmaceutical Affairs Act and internal control regulations for a total of 47 persons with 235 man-hours in total.
4. Enterprise employees breaching the honesty operations conduct statistics and penalty action:
  - (1) CCPC: None.
  - (2) Chunghwa Yuming Healthcare Co., Ltd.: None.
5. Statistics on the tipoff of illegal, immortal or dishonest cases: Nil.

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

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

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

1. Declaration in Internal Control System:

China Chemical & Pharmaceutical Co., Ltd.

Declaration of Internal Control Policies

Date: March 8, 2022

The following declaration is based on the 2021 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, 2021 (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 8, 2022. That board of directors meeting was attended by 4 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 Hsien, I-Chen

Manager : Wu, Chih-Yung

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

(X) In the most recent year and as of the date of annual report printing, the Company and internal personnel shall be penalized by law; or internal personnel in violation of internal control system regulations shall be penalized. If penalties pose major impacts on shareholders equity or security prices, the penalty details, major deficiencies, and improvement situation shall be listed.

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

Significant decisions resolved in the shareholders' meeting		
Date on which the shareholders' meeting resolved the decisions	Subject:	The outcome of resolution and the implementation thereof
May 21, 2021 Shareholders' regular meeting	1. The issue to acknowledge the business report and final account books in Year 2020.	The issue duly passed the resolution process in the voting exactly as proposed.
	2. The issue to acknowledge the Company's distribution of earnings in Year 2020.	The resolution on the cash dividends of NT\$298,081,080 (NT\$1.0/share) was passed and the board of directors was authorized to set the base date of account closing. The ex-dividends base date was July 31, 2021, the distribution of cash dividend (NT\$1.0/share) was completed on August 20, 2021.
	3. Elected the 25 <sup>th</sup> board of directors.	Two directors were elected after voting. Wang Hsieh, I-Chen (Chunghwa Chemical Synthesis & Biotech Co., Ltd. representative), Wang, Hou-Jie (Wang Ming-Ning Memorial Foundation representative) Three independent directors were elected after voting. Chen, Hung-Shou; Jou, Yen-Pong; Chow, Dah-Jen
	4. Discussion of the amendment to part of the "Rules of Procedure for Meetings of Shareholders".	The issue duly passed the resolution process in the voting exactly as proposed. The Company has duly operated exactly pursuant to the post-amendment procedures.
	5. The issue to discuss partial amendment to the Company's "Regulations Governing the Election of Directors' Meeting."	The issue duly passed the resolution process in the voting exactly as proposed. The Company has duly operated exactly pursuant to the post-amendment procedures.
	6. Proposal for canceling the non-compete restriction for new directors and their representatives.	The issue duly passed the resolution process in the voting exactly as proposed.

(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, governance head and research & development head: Such fact is nonexistent in the Company.

IV. Disclosure of CPAs' remuneration

Expressed in Thousand New Taiwan Dollars

Auditor's firm	Name of CPA	CPA auditing period	Audit remuneration	Non-audit remuneration	Total	Remarks
PwC Taiwan	Yu, Shu-Fen	2021.01.01~ 2021.12.31	3,030	620	3,650	Tax compliance audit and tax return
	Lin, Jun-Yao					
PwC Taiwan	Liao Lieh-Lung	2021.01.01~ 2021.12.31	0	350	350	Report on transferred pricing
PricewaterhouseCoopers Taiwan Business Administrative Consultation	Tim Kuei	2021.09.01~ 2022.09.30	0	1,000	1,000	Organizational Reform and Transformation

- (I) Replaced the accounting firm. Disclosure of audit fee amount before and after replacement and the reason in the event that the annual audit fee paid is less than that of the previous year: None.
- (II) The fact for the Company's payment of audit fee more than 15% in decrease from the preceding year is nonexistent in the Company.

V. Change of CPA

(I) About the predecessor CPA

Date of replacement (Note)	2021.05.11		
Reason for change and explanation	In cooperation with the internal organization adjustment of PwC Taiwan, the CPAs were replaced since the period of the financial statement for the first quarter of 2021. CPA Chang, Shu-Chong and CPA Lin, Jun-Yao were changed to CPA Yu, Shu-Fen and CPA Lin, Jun-Yao.		
Indicate whether the appointment is terminated or not accepted by the client or CPA	Participants		CPA
	Condition		Client
	Active termination	Not applicable	
	Appointment/reappointment rejection		
Opinions in and reason for audit reports issued other than unqualified opinion in the last two years	None		
Disagreement with the issuer (Yes/No)	Yes	Not applicable	Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedure
			Others
	None	No disagreement with the issuer.	
Explanation: None			
Other disclosures (Disclosures deemed necessary under Article 10.6.1.4~ Article 10.6.1.7 of The Guidelines)	None		

Note: Date of the Company board of directors' official approval of the appointment case

(II) About the successor CPA

CPA firm	PwC Taiwan
Name of CPA	CPAs Yu, Shu-Fen; Lin, Jun-Yao
Date of engagement	May 11, 2021
Subjects of consultation and consultation results in case, prior to the formal engagement of the successor certified public accountant, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on the company's financial report	Not applicable
Written opinion of the successor CPA on matters on which the successor CPA disagreed with the predecessor CPA	Not applicable

Note: Date of the Company board of directors' official approval of the appointment case

(III) Reply from the former CPA on Subparagraph 1 and Subparagraph 2-3, Paragraph 6, Article 10 of these regulations: N.A.

VI. The Company's Chairman, general manager, managerial officers 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 and managerial officers 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 supervisor (s), managerial officers and key shareholders holding more than 10% in the relationship and the number of shares in pledge so obtained);

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

Title	Name	2021		Year-to-date March 28	
		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.	16,759,000	0	0	0
Chairman	Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Wang Hsien, I-Chen	(653,000)	0	0	0
Director	Wang Ming-Ning Memorial Foundation	0	0	0	0
Director	Representative of Wang Ming-Ning Memorial Foundation: Wang, Hou-Jie	5,594,000	0	49,000	0
Independent Director	Chen, Hung-Shou	0	0	0	0
Independent Director	Chow, Dah-Jen (Note 1)	0	0	0	0
Independent Director	Jou, Yen-Pong(Note 2)	0	0	0	0
President	Wu, Chih-Yung	0	0	0	0
Vice President	Sun, Yin-Nan	0	0	0	0
Vice President	Hsieh, Chun-Ju	0	0	0	0
Vice President	Chan, Ming-Sheng	0	0	0	0
Manager	Lin, Teng-Pao	0	0	0	0
Manager	Chao, Te-Feng	0	0	0	0
Manager	Huang, Yi-Chun	0	0	0	0

Note 1: Appointment on May 21, 2021.

Note 2: Passed away on August 6, 2021. A re-election will be held to fill vacancies at the 2022 shareholders meeting.

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

Name	Reason for transfer	Date of transaction	Counterparty	Relationship between a transaction counterpart and the company or its directors, supervisors, managers, and shareholders holding over 10% of the company's shares.	Quantity	Transaction price
Wang Hsieh I-Chen	Payment of shares in shares	2021.11.23	Sela Holdings Inc.	The representative and the Company chairman (corporate representative) are first-degree relatives.	653,000	22.35

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

VIII.Information of relationships among shareholders whose shareholding ratio ranks top 10:

March 28, 2022

Name	Shares Held In Own Name		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2 <sup>nd</sup> 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	Relation	
Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Wang Hsien, I-Chen	42,053,137 577	14.11% 0.00%	0 4,730,787	0.00% 1.59%	0 11,874,000	0.00% 3.98%	None Wang, Hsun- Sheng; Wang, Hou- Kai; Hsieh, Chun-Ju;	No spouse, parent and child, sisters.	None None
Fubon Life Insurance Co., Ltd. Representative: Tsai Ming-Hsing	12,766,000 0	4.28% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None
Sela Holdings Inc. Representative: Wang, Hou-Kai	11,874,000 0	3.98% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None Wang, Hsun- Sheng, Wang Hsien, I-Chen	None Father and son, mother and child.	None None
Wang Ming-Ning Memorial Foundation Representative: Hsieh, Chun-Ju	10,432,912 0	3.50% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None Wang Hsien, I- Chen;Wang, Hsun-Sheng	None Sisters, second- degree relatives.	None None
Guan's Enterprise Co., Ltd. Representative: Guan Jun-Ping	9,363,000 1,521,000	3.14% 0.51%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None
Wang, Hou-Jie	6,384,000	2.14%	0	0.00%	0	0.00%	Wang Hsieh Cheng- Ching	Mother and child.	None
CCPC Employee Ownership Trust Special Account at Yuanta Bank	6,126,642	2.06%	0	0.00%	0	0.00%	None	None	None
Wang Hsieh Cheng-Ching	5,924,177	1.99%	0	0.00%	0	0.00%	Wang, Hou- Jie	Mother and child.	None
Markart Enterprise Co., Ltd. Representative: Wang Hsien, I-Chen	4,900,000 577	1.64% 0.00%	0 4,730,787	0.00% 1.59%	0 11,874,000	0.00% 3.98%	None Wang, Hsun- Sheng; Wang, Hou- Kai; Hsieh, Chun-Ju;	None Spouse, mother and child, sisters.	None None
Wang, Hsun-Sheng	4,730,787	1.59%	577	0.00%	0	0.00%	Wang Hsien, I- Chen Wang, Hou-Kai; Hsieh, Chun-Ju;	Spouse, father and child, second- degree relative.	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 28, 2022, 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	1,575	25.79	5,951	97.43
Phermpep Co., Ltd.	3,588,000	44.85	0	0	3,588,000	44.85
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	21,575,064	27.82	1,691,982	2.18	23,267,046	30.00
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 28, 2022; Expressed in Thousand New Taiwan Dollars and thousand shares.

Year / month	Price of issue (NTD)	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 NTD228,100	None	None
2004.06	10	280,000	2,800,000	270,982.8	2,709,828	Capital reserve taken to be converted into capital increase NTD99,775 Recapitalization of earnings 100,953	None	None
2005.07	10	300,000	3,000,000	298,081.08	2,980,810.8	Recapitalization of earnings 270,982.8	None	None
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 28, 2022 Unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	298,081,080	201,918,920	500,000,000	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 28, 2022 Unit: shares

Shareholders structure Quantities	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	0	3	219	53,848	127	54,197
Number of shares held	0	12,982,338	90,011,361	162,953,589	32,133,792	298,081,080
Ratio of Shareholding	0.00%	4.36%	30.19%	54.67%	10.78%	100.00%

## (III) Equity dispersion

March 28, 2022 Unit: shares

Range of Shares	Number of shareholders	Number of shares held	Ratio of Shareholding
1 to 999	33,624	2,336,633	0.78%
1,000 to 5,000	16,067	33,162,964	11.13%
5,001 to 10,000	2,404	19,483,836	6.54%
10,001 to 15,000	633	8,020,145	2.69%
15,001 to 20,000	523	9,783,575	3.28%
20,001 to 30,000	332	8,583,754	2.88%
30,001 to 40,000	140	5,030,408	1.69%
40,001 to 50,000	117	5,557,066	1.86%
50,001 to 100,000	181	13,286,075	4.46%
100,001 to 200,000	85	11,820,115	3.97%
200,001 to 400,000	38	9,748,865	3.27%
400,001 to 600,000	10	5,147,212	1.73%
600,001 to 800,000	4	2,597,888	0.87%
800,001 to 1,000,000	6	5,289,432	1.77%
> 1,000,001	33	158,233,112	53.08%
Total	54,197	298,081,080	100.00%

Note: Never has the Company issued preferred shares.

## (IV) List of major shareholders:

March 28, 2022 Unit: shares

Names of the top ten shareholders		Shareholding	Number of shares held	Ratio of Shareholding
1	Chunghwa Chemical Synthesis & Biotech Co., Ltd.		42,053,137	14.11%
2	Fubon Life Insurance Co., Ltd.		12,766,000	4.28%
3	Sela Holdings Inc.		11,874,000	3.98%
4	Wang Ming-Ning Memorial Foundation		10,432,912	3.50%
5	Guan's Enterprise Co., Ltd.		9,363,000	3.14%
6	Wang, Hou-Jie		6,384,000	2.14%
7	CCPC Employee Ownership Trust Special Account at Yuanta Bank		6,126,642	2.06%
8	Wang Hsieh Cheng-Ching		5,924,177	1.99%
9	Markart Enterprise Co., Ltd.		4,900,000	1.64%
10	Wang, Hsun-Sheng		4,730,787	1.59%

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

Item		Year	2020	2021	In the current year as of March 31, 2022 (Note 8)
Market price per share (Note 1)	Highest		28.60	25.85	22.90
	Lowest		15.45	20.90	21.65
	Average		22.18	23.09	22.24
Net worth per share (Note 2)	Before dividend distribution		22.17	26.09	-
	After dividend distribution		21.17	25.19 (Note 9)	-
Earnings per share	Weighted average outstanding shares		297,253,197	297,253,197	297,253,197
	Earnings per share (Note 3)		1.88	1.74	-
Dividends per share	Cash dividends		1.00	0.90 (Note 9)	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative undistributed dividends (Note 4)		-	-	-
Analysis of investment returns	P/E ratio (Note 5)		11.80	13.27	-
	Price to dividends ratio (Note 6)		22.18	25.66 (Note 9)	-
	Cash dividend yield (Note 7)		0.05	0.04 (Note 9)	-

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

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

Note 2: Based on shares already issued as of the end of the year; filled out based on distribution resolved by the board of directors or shareholders meeting the following year.

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: The 2021 earnings distribution ratio was resolved by the board of directors on March 8, 2022; distributed NTN\$0.9 cash dividend per share, which was pending approval by the board of directors.

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

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

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

- (1) Tax to be duly appropriated according to law.
- (2) The sum to make up loss in previous year(s).
- (3) The sum to appropriate 10% legal reserve.

- (4) The sum for special reserve which should be appropriated according to law.
- (5) From the final balance of earning, if any along with unappropriated retained earnings of the preceding year, there shall be the distributable earning. A part of the distributable earning may be retained as bonus to shareholders of which the cash dividend shall not be lower than 50% of the total bonus to shareholders. Where the cash dividend is below @NTD0.1 per share, such dividend shall be granted in stock dividend instead.

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

The Company's earning allocation chart as of Year 2018 was duly resolved in the board of directors on March 8, 2022:

Unit: NTD

Item	Amount
The net profit after tax in Year 2021	517,507,754
Plus: Adjustment of retained earnings in Year 2021	630,934,807
Less: recognition of legal reserve	(114,844,256)
Plus: Unappropriated retained earnings at end of the term	1,669,938,641
Distributable earnings for the 2021	2,703,536,946
Less: Shareholders' Bonus (Cash bonus of NTD 0.9 per share)	(268,272,972)
Closing undistributed earnings	2,435,263,974
The cash dividend in present distribution is rounded off to the nearest whole number of New Taiwan Dollar and the fraction less than one New Taiwan Dollar shall be discarded. Amount of odds less than NTD1. To be converted into the Company's other revenue	

3. Anticipated significant change in dividend policy: 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 Year 2022.

(VIII) Remuneration to the employees, directors:

1. Percentage and scope of remuneration to the employees and 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 and 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 Year 2021, the remuneration to employees was estimated at NTD55,000,000; the remuneration to directors was estimated at NTD6,000,000 which were recognized and resolved by the board of directors in full on March 8, 2022, 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 and 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 and directors the causes and the countermeasures:

In Year 2020, the estimated remuneration to employees NTD55,000,000, remuneration to directors NTD6,300,000 which were resolved in the shareholders' meeting convened on May 21, 2021 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 72%, animal health products 7%, medical care appliances 10%, daily use health-care products 9%, others 2%.
    2. The current merchandise items of the Company and new merchandise planned by the Company for upcoming development:
      - (1) The current merchandise items of the Company:
        - A. Drugs for human use: Including prescription pharmaceuticals and pharmaceuticals subject to instructions, 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-wash 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.  
198 BE test products were cumulatively completed over the years as of 2021. 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) Applied big data in the development of pharmaceutical industry models. The Ministry of Health and Welfare, the Ministry of Science and Technology, and the Ministry of Economic Affairs jointly promoted the plan for precision health big data sustainable platform:

While the production and sources of databases continue to increase following technological advancements, the effective use of the large quantity of data can help resolve problems such as uneven allocation of medical resources, excessive burden of medical expenses, and the increase in unfulfilled medical demands. In view of the potential of big data application, digital healthcare has become the focus of health organizations and governments across the world. However, as digital healthcare involves medical practice, physiological data, and personal genetic data, full production is required for both the bodily safety and information security of individuals. Therefore, governments in the world thus introduce digital healthcare specifications and data application policies, hoping to integrate prevision treatment and medical care.

The Ministry of Health and Welfare, the Ministry of Science and Technology, and the Ministry of Economic Affairs announced on August 20, 2020 that beginning 2021 the precision health big data sustainable platform setup will be promoted in four years. Through integrated and structuralized data, combined with clinical translation research, more applications were derived, based on which new therapies or pharmaceutical products were developed. The precision health big data sustainable platform integrates individual physiological monitoring data, environmental data, electronic health records, clinical trial information, and long-term care information. Another part is the nation-based police, social welfare, and interior data, National Health Insurance Data, and various data involving health, disease, birth, and even death. With this big data, the important causes of the people's health problems can be studied, which shall serve as the strategic direction for improving the national health environment.

The construction of the precision health big data sustainable platform is based on the data sources compiled above. Further, in conjunction with the applied new business needs, new technologies and developments come about, which are expected to create opportunities for Taiwan's digital health and biomedical industry development. At the same time, the new business model of biomedical industry's cross-domain integration and deployment in seven fields: healthcare, medical supplies/pandemic prevention, pharmaceuticals, precision health, regenerative medicine, smart medicine, and health management, the business competitiveness of Taiwan's biomedical industry can be enhanced. In April 2019, the WHO announced the four-year "Draft global strategy on digital health 2020–2024" to strengthen the health system with the intervention of digital health technology and the ease the current doubts on data decentralization, system shortages, operation and integration compatibility, and data security, hoping to promote health to humankind through appropriate digital healthcare among member states. Four strategic objectives and four frameworks for action were introduced in that Draft. The four strategic objectives include: (1) allow stakeholders to participate in the global sharing agenda of digital health; (2) establish and strengthen global digital health energy that meets the global demands; (3) encourage stakeholder participation to strengthen digital health, and (4) improve the measuring, monitoring, research, and practice of digital health. The four frameworks for action include: (1) encourage countries and stakeholders to commit themselves to the implementation of the global strategy on digital health; (2) generate and sustain a conducive environment to create, scale up and maintain processes that will facilitate collaboration towards implementing the

global strategy; (3) create and adopt processes for monitoring and evaluating the effectiveness of the global strategy; and (4) undertake new cycle of actions based on what has been experienced, measured and learned.

On January 20, 2020 the HMA/EMA Big Data Task Force set ten priority recommendations for the production and use of big data, hoping to enhance the efficiency of big data use and support innovation and public health. These ten priority recommendations include: deliver a sustainable platform to access and analyze healthcare data from across the EU, establish an EU framework for data quality and representativeness, strengthen EU Network processes for big data submissions, and so on. The HMA/EMA Big Data Task Force also recommended “build EU Network capability to analyze big data” through training to assess the feasibility of using big data for the reference of drug approval, and launch a ‘Big Data learnings initiative’ for managing and analyzing data within a safe and ethical management framework, in order to trace and review medicinal product approval. In January 2020 the National Institute for Health and Care Excellence (NICE) said that it would add the scope of data analysis and use in the future guideline, including the Real World Evidence (RWE) and the electronic health record (EHR). This new approach was established according to the recommendations of medical staff. Extensive integration of the RWE and EHR can efficiently recommend drugs for clinical use.

To more effectively acquire data, accelerate new drug development, and improve current healthcare with digital devices, the US Food and Drug Administration (FDA) announced a cross-center action plan in the future on August 23, 2019 to promote the interoperability of data in order to promote the modernization of technology infrastructure and framework. By enhancing data interoperability, manufacturers can be timely informed of the regulatory decisions to raise their submission intention and accelerate the launch of safe drugs. This policy will be further implemented in the future for medical staff to propose the optimal healthcare solutions based on the patient’s personal data in healthcare provision.

In practice, the USFDA announced the “Framework for FDA’s Real-World Evidence Program” on December 6, 2018 and planned to implement the RWE in the pharmaceutical and healthcare industries in 2019. On April 5, 2019, the USFDA approved the application for the expansion of new indications approved with the Real World Data (RWD) including the EHR and post-market reports, suggesting that the USFDA has gradually accepted the RWD as a reference for new drug application. Although the USFDA has the experience in collecting the RWD through post-market observation and study of products. However, determining the treatment effect with non-randomized controlled trial may lead to deviation in selection and errors in classification. As it is necessary to set the standard for data quality first, the USFDA thus announced to draw up related standards for the quality of RWD in September 2019.

In recent years, digitization has helped accumulate voluminous healthcare and health-related data. After sorting, conclusion, and analysis, we can observe valuable information for the disease treatment, health promotion, or product development to facilitate the development of precision treatment methods and new products. To pioneer precision medicine, health organizations and governments in the world have established policies and regulations to include data application, data operability, and quality to accelerate data application in the healthcare industry. It is estimated that this will bring revolutionary effects to the development and review of new drugs and new products in the future.

To tackle the increasing R&D cost of pharmaceutical companies, digital

healthcare has become one of the foci for reducing the risk and lowering the cost in medicinal product development. In addition, the ability to shorten the gap between ideal and actual applications and assist with medicinal product exploration and development of powerful computing from the rapid development of digital technologies, such as big data, IoT, and AI, in recent years has been proven effectiveness in the field. The application of digital technology borne fruit in 2020. It is proven that sufficient resources and workforces can accelerate the development of medicinal products to bring a novel breakthrough from fundamental R&D to clinical drug development. Similar trends are also seen in the top 10 licensing projects in 2019. These projects included the licensing of the cancer drug development platform of Abpro, Nurix, and Goldfinch to NJCTTQ and Gilead for collaborative development of anti-cancer drugs. After acquiring the core platform technologies that integrate Nurix and Goldfinch big data analysis Gilead Sciences specializing in antiviral drugs engaged in the R&D of smart pharmaceutical development platform in 2019 to shorten the lead time and failure rate of new product development.

(2) Expanding product lineups through M&A

Product patent expiration is one of the severe challenges challenging leading pharmaceutical companies, and mergers and acquisitions (M&A) are the fastest way to acquire products and enter the market. Although the average amount of the 2019 M&A expenditure was higher than that of previous years, the number of M&As reduced because leading pharmaceutical companies tended to be conservative in M&A selection and technology trends. However, they are still eager to monopolize the market with a competitive price for powerful and potential technology platforms and M&As that can really help fulfill the unfilled demands.

In 2019 Takeda was under the pricing pressure of its domestic drug products. In short of new product lineups, it acquired Shire with US\$62 billion. This acquisition thus helps Takeda to increase revenue to US\$31 billion and becomes one of the world top 10 pharmaceutical companies. Shire has a wide range of drugs for rare diseases and other new product lineups, such as Entyvio for the gastrointestinal diseases. After the M&A, Takeda has increased its R&D channels and enhanced its global influence, suggesting that M&As can actually help leading pharmaceutical companies to develop fuller product ranges and enhance market competitiveness. Later, Takeda sold its Asian distributorship of cardiovascular and glucose-lowering drugs to Celltrion.

(3) Amended and approved the “Act for the Development of Biotech and Pharmaceutical Industry.”

The “Act for the Development of Biotech and Pharmaceutical Industry” was promulgated and implemented on July 4<sup>th</sup>, 2007. Through such measures as tax concessions, new innovative momentum has been injected into the biotech and pharmaceutical industry, thereby guiding it toward value-added biotech and pharmaceutical industry development. Currently, multiple products have been launched in the international market, boosting the entry of Taiwan’s new drugs and high-risk medical devices into international markets.

In the face of the development of global biological and medical technology, from the treatment, prevention, and prediction of diseases to the development trend of digital technology cross-domain cooperation, the advantages of Taiwan’s medical technology and information communication technology have been combined to promote the development of Taiwan’s biotech and pharmaceutical industry. In the “Act for the Development of Biotech and Pharmaceutical Industry,” amendments have been made on deductions for R&D, capital,

machinery, and equipment in order to promote the development of advanced medicine and products with a high threshold for technology. Cross-domain cooperation between the bio-tech industry and the information communication industry.

Seven focuses of bill amendments:

1. Implementation period: Until December 31, 2031.
2. Scope of rewards: As for the scope of rewards in the “Act for the Development of Biotech and Pharmaceutical Industry,” in addition to the inclusion of existing new drugs and high-risk medical equipment, new dosage forms, regenerative medicine, precision medicine, digital medicine, innovative technology platforms specially designated for the biotech and pharmaceutical industry, and other reward items have been included. Biotech and pharmaceutical companies outsourced for development and manufacture have also been included. In addition, the “new biotech and pharmaceutical products” have been changed to “other strategic biotech and pharmaceutical products.”
3. Research and development investment deductions: 25% of the Company’s expenditures on research and development shall be deducted within five years starting the year of business income tax payable.
4. Machinery and equipment investment deductions: For biotech and pharmaceutical companies investing in new machinery, equipment, or systems used in production, the amount exceeding NTD10 million and less than NTD1 billion shall be entitled to 5% of the business income tax payable for the current year and 3% within three years. Deductions each year shall not exceed 30%.
5. Corporate shareholder investment deductions: For profit-making enterprises taking part in the cash capital increase of biotech and pharmaceutical companies, 20% of its payment of shares shall be deducted from the business income tax. Deductions every year shall not exceed 50%. Biotech and pharmaceutical companies’ profit-seeking business investment in outsourced development and manufacturing are limited to non-TWSE/TPEX listed companies or TWSE/TPEX listed and non-OTC listed companies whose date of registered establishment is less than 10 years from now.
6. Provisions for individual shareholders’ investment deductions: For individual shareholders investing cash in non-TWSE/TPEX listed biotech pharmaceutical companies whose shareholding of the same biotech and pharmaceutical company exceeds NTD1 million for a period of over three years, 50% of the invested amount shall be deducted from the total individual aggregate income, which shall be limited to NTD5 million every year.
7. Shares acquired by senior professionals and technology investors are entitled to being taxed at either of the rates that is lower: Senior professionals from biotech and pharmaceutical companies that have acquired shares through technology investment, have acquired shares by the certificate of payment of shares for exercise of warrant, and have held the shares and have worked (provided technology services) for two years may choose either “transfer price” or “the current price or the price at the time of stock acquisition” to be taxed at either of the rates that is lower.

The “Act for the Development of Biotech and Pharmaceutical Industry” has passed three readings, which is a major milestone for Taiwan’s biotech and pharmaceutical industry and aids in injecting new growth momentum. In order to encourage advanced medicine and cross-domain cooperation and develop products with a high technical threshold, promote focus on both R&D and

manufacturing.

In conjunction with the completion of the legislation of the “Act for the Development of Biotech and Pharmaceutical Industry,” the Executive Yuan shall promptly update various authorization regulations, formulate related promotion strategies, and complete the review system. They are intended to facilitate the development and launch of various biotech and pharmaceutical products, accelerate the development of Taiwan’s biotech and pharmaceutical industry, and enable it to stage internationally.

(4) Biomedicine: A new market favorite

Although analysis shows that small molecule drugs, accounting for over 50% of all new drugs, were still the mainstream of new drug development in 2020, the growth rate of biomedicine increased significantly by 40.4% over 2019. Analysis of the subitems of individual drug types shows that synthetic chemicals are the most among all small molecule drugs, accounting for 8,921 items and becoming the principal subtype of the small molecule drugs. The analysis of the quantity changes in biomedicine types shows that the monoclonal antibody (mAb) drug is the most commonly developed drug for its target-based accurate treatment which brings good therapeutic effects, and recombinant protein drugs and drugs for autologous cell therapy (including CAR-T therapy) are the second and third highest respectively. In terms of the annual growth rate, biomedicines using emerging technologies, such as drugs for cell therapy and nucleic acid drugs, had outstanding performance in average quantity growth in 2020, and the growth of drugs for allogeneic cell therapy and drugs for autologous cell therapy at 80.8% and 77.1% was the highest and second highest respectively; then the growth of nucleic acid drugs, including general nucleic acid drugs, viral-vector nucleic acid drugs, and non-viral-vector nucleic acid drugs at 27.3%, 19.2%, and 24.5% respectively, was also great.

(5) Conditionally opened up allogeneic cell therapy in accordance with the “Management regulations on specific medical technology inspection and testing and medical instrument implementation or use.”

With the ratio of Taiwan’s elderly population on the rise every year, the body is subject to systemic degeneration, such as weakness, aging, chronic disease, and dysfunction. The heavy medical burden will become an important issue. Therefore, the Ministry of Health and Welfare passed the “Management regulations on specific medical technology inspection and testing and medical instrument implementation or use” in 2018. The said management regulations will bring hope to cell therapy repair and rebirth applied in regenerative medicine. The Management regulations on specific medical technology inspection and testing and medical instrument implementation or use: It has been over two years since the opening-up of autologous cell therapy in September 2018. It is used in disease treatment and tissue repair applications, including autologous peripheral blood stem cell transplantation, autologous immune cell therapy, autologous adipose stem cell transplantation, autologous fibroblast transplantation, autologous mesenchymal stem cell transplantation, autologous chondrocyte transplantation, etc. The therapy items cover: treatment of late-stage cancer, defects in the knee joint cartilage, etc.

In order to encourage medical institutions to engage in allogeneic cell therapy in human clinical trials. Relevant institutions are also requested to more properly preserve cells. The Ministry of Health and Welfare amended the “Management regulations on specific medical technology inspection and testing and medical instrument implementation or use” on December 2, 2020. In February 2021, the said management regulations were announced and amended

again. The amended regulation included the opening up of allogeneic cell therapy. The human clinical trial results released by medical institutions shall be specified, with domestic and foreign literature reports enclosed. Implementation shall be allowed after approval. The autologous cell therapy manufacturing process is cumbersome and time-consuming. Moreover, the therapy is customized and is costly. Patients urgently in need of treatment are targeted. Patients failing to keep up with the course of disease are unable to receive treatment. For manufacturers engaged in cell therapy development, allogeneic cells can be produced and preserved in advanced. Due to the lower production cost and a broader range of applied groups, there is greater market commercialization potential. However, manufacturers who wish to engage in development should pay attention to the key regulations. The new regulation provisions that relevant therapies are required to first pass clinical trials with safety and effectiveness results before being allowed be applied from the Ministry of Health and Welfare for use in treating patients. For the opening-up of allogeneic cells, in addition to expanding new therapy models and business opportunities for manufacturers engaged in cell therapy development, CDMO manufacturers may also consider developing allogeneic cell mass production technology. To deploy in the allergenic cell OEM production market in advance in order to meet domestic and foreign production needs.

(6) Drug price control: A policy proposed by many countries

The constantly growing price of prescription drugs has been concerning both governments and citizens. Drug price changes are correlated to business models, national policies, and clinical treatment effect. These are also the factors affecting the drug pricing of pharmaceutical companies. A severe deviation from the manufacturer's suggested retail price (MSRP), also known as the drug price gap, has been noted in the drug distribution chain in recent years to directly affect the out-of-pocket costs of consumers and the medicinal expenditure of the country.

To reduce the medicinal expenditure of both the country and patients, the National Pharmaceutical Pricing Authority (NPPA) of India announced the 30% cap of 390 non-scheduled cancer drugs on March 12, 2019 to reduce the retail price of cancer drugs. The highest range of price reduction was up to 87%. To achieve this policy goal, the Indian government prohibited pharmaceutical companies from reducing drug production due to the profit cut. According to the NPPA estimates, the policy can benefit up to 2.2 million patients and reduce the country's medicinal expenditure.

In May 2015, the United States Department of Health and Human Services (HHS) announced the "American Patients First" program to introduce four strategies to reduce US drug prices. These four strategies included (1) prevent manufacturer gaming of regulatory processes and the launch of patent-expired drugs to enhance the competitiveness among manufacturers of patented drugs, generic drugs, and biosimilars, and interchangeable products; (2) enhance the drug price negotiation ability within and outside of the USA to reduce drug expenditure; (3) ensure drug pricing transparency and spur price competitions among pharmaceutical companies; and (4) inform patients of the drug price to prevent patients from paying a higher out-of-pocket cost while using Medicare. Therefore, the US government proposed a range of policies in 2019, hoping to achieve the goals in "American Patients First" to reduce during prices in the USA.

In May 2019 the HHS announced the "Drug Price Transparency Rules" to request suppliers to disclose in commercials the pricing principles of drugs covered by Medicare and medical subsidization as advertised in commercials with an out-of-pocket cost over US\$35 a month to facilitate patients with explicit

information off healthcare expenses and lower drug pricing of pharmaceutical companies through drug price transparency. As the Rules upset may pharmaceutical companies, Merck, Eli Lilly, and Amgen filed a class action against the HHS in June 2019, claiming that the Rules were illegal without the Congress's authorization and the HHS had not authority to request pharmaceutical companies to disclose their pricing principles. Pharmaceutical companies further claimed that the prices disclosed in commercials were merely the MSRP, and most buyers with Medicare could buy those drugs with different discounts over the counter, concluding that the Rules would confuse most consumers. The district court taking charge of this class action ruled that the Rules were illegal, thumping the government's plan to reduce drug prices in the face.

To lower the price of drugs prescribed under Medicare, the US Congress proclaimed the "Lower Drug Costs Now Act" on December 12, 2019. Besides stipulating that US\$2,000 will be the maximum out-of-pocket cost, the Act authorizes the HHS to negotiate the price with pharmaceutical companies for up to 250 prescription drugs, including insulin and Lisinopril, an angiotensin converting enzyme inhibitor. The Act also stipulates that the negotiated price must not exceed 1.2 times of the average price in countries at the similar level of development, particularly Australia, Canada, France, Germany, Japan, and the UK. The negotiated price is also applicable to individual consumers in the private market.

As many interested parties are involved, drug price control is still a challenging issue in countries across the world. From the industry's point of view, higher drug prices bring higher profit to incentivize pharmaceutical companies to engage in new drug development. However, higher drug prices will also increase a country's medical expenditure, and many people cannot afford drugs with higher prices. Conversely, if drug prices are unreasonably suppressed, pharmaceutical companies may withdraw from the market or are unwilling to engage in new drug development, and patients can either use less effective drugs or even have no drugs to use. As drug price control is a complex and complicated issue, and an all-round solution will not be available in a short time, it needs long-time communication and the collaboration of different policies to control the drug price within the range that can be accepted by both pharmaceutical companies and consumers, in order to lower the financial burden of both a country and its patients and minimize the impact on the development of the pharmaceutical industry.

- (7) Integrate domestic biomedical industry R&D momentum and seek new business opportunities through government projects

Following the COVID-19 (Coronavirus Disease 2019) pandemic outbreak at the end of 2019, in order to assist in treatment, testing, and prevention product development, for the domestic manufacturers' test reagent development part, due to difficulty in acquiring virus samples and insufficient secure laboratories, the Epidemic Command Center shall provide manufacturers with virus liquid testing, imitation specimen testing, specimen testing, and virus fusion plaque inhibition test services through integrated domestic three-level biosafety laboratories. It shall fully guide and accelerate test reagent R&D to cope with the domestic pandemic. The "COVID-19 virus screening and analysis technical support platform" has been set up. Division of labor and integration are also carried out in five directions: test, inspection, vaccines, drugs, prediction models, and technical support platforms. The Ministry of Health and Welfare (MOHW) has set up a professional team to obtain certification. The established greenway regulations

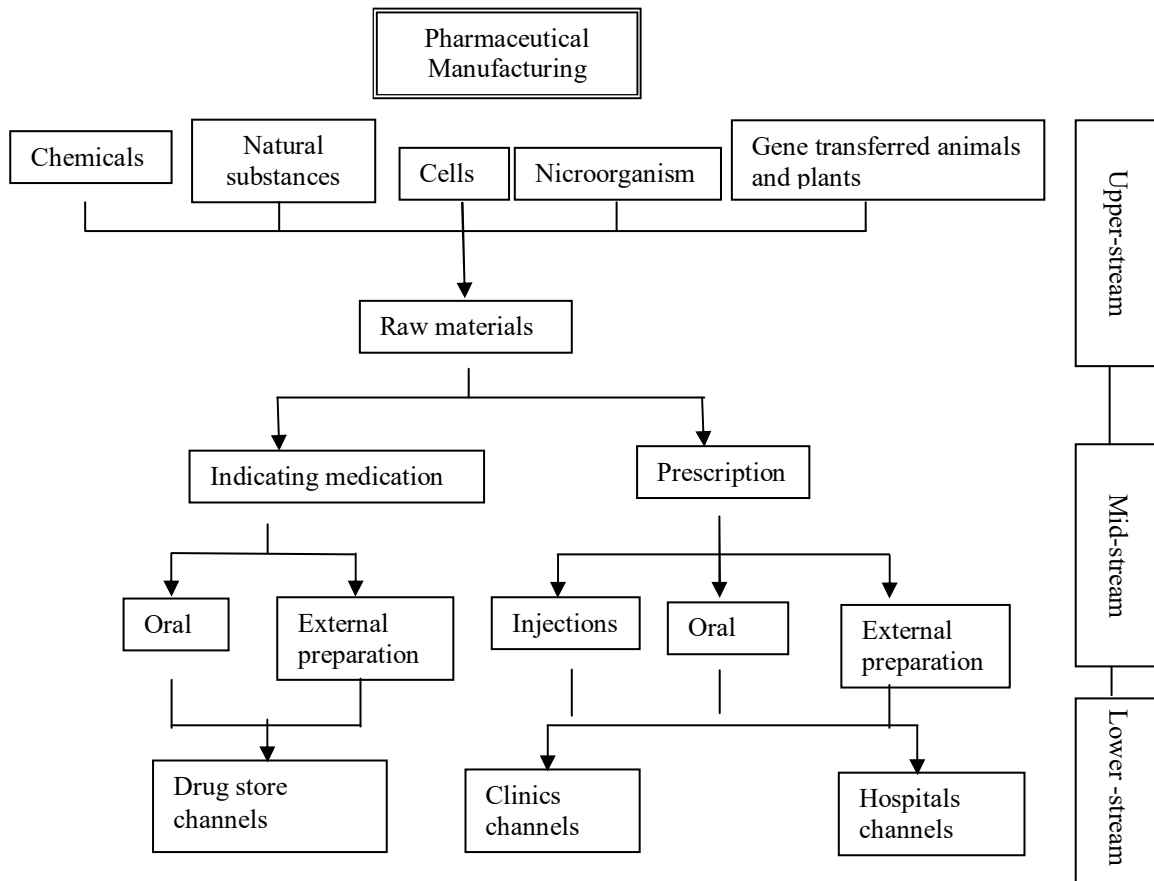
and research on the performance verification references shall serve as references for development manufacturers. The MOHW also actively offers assistance to domestic representative R&D plans to serve as the industry's reference and object for learning. As of March 2021, for the PCR nucleic acid-based testing and antibody and antigen testing part, a total of 34 products received Emergency Use Authorization, EUA from the MOHW. Taiwan's biomedical manufacturers use their own energy to self-develop or integrate the momentum of different companies in collaborative development. Through the supplemental governmental projects and plans, COVID-19 test reagents can be quickly developed and receive EUA listing. In addition to assisting the biomedical industry in seizing new anti-pandemic business opportunities, enterprises actively moving toward open R&D has also been promoted, moving toward the development of cooperative and symbiotic network model construction.

## 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

For changes in the product output values of various products in 2020, the API output achieved higher growth, followed by western medicine preparations. The total output value increased by 4.2% in 2019, and the output value amounted to NTD78.91 billion. Due to the pandemic spread, the global transportation is obstructed, and some raw material suppliers have suspended goods supply. It is expected that the APIs and pharmaceutical intermediates required by some pharmaceutical industries will be faced with serious material shortages, extended delivery time, and other difficulties. However, domestic businesses have actively sought other alternative suppliers to strategically and flexibly cope. The total annual output value of the pharmaceutical industry shall continue to achieve growth in 2019.

Taiwan's APIs are export oriented. In 2020, the domestic API production was not affected by the COVID-19 pandemic. Moreover, niche products continue to be developed and promoted, with the output reaching NTD18.52 billion, an increase by 8.8% compared to 2019; western medicine preparations are the main category of Taiwan's pharmaceutical industry, accounting for about 60% of the total output. In 2020, the output of western medicine preparations made in Taiwan maintained growth. The output of western medicine preparations reached NTD49.46 billion, an increase by 3.9% compared to 2019. The biopharmaceuticals comprised mainly of vaccines for human use and blood preparations. In 2020, the output value was NTD2.24 billion, a decrease by 7.6% compared to 2019; the output of traditional Chinese medicine (TCM) preparations amounted to NTD8.69 billion, a slight increase by 0.4% compared to 2019. Taiwan's pharmaceutical industry showed a trade deficit. The bulk import and export items comprised western medicine preparations. In 2020, the total import value of Taiwan's pharmaceutical industry amounted to NTD130.85 billion, a decline by 0.9% compared to 2019. The total import values of western medicine and TCM preparations showed a slight decrease, while the import value of APIs and biopharmaceuticals showed a slight increase. In 2020, the total output value of Taiwan's pharmaceutical industry amounted to NTD18.44 billion, a 3.1% increase compared to 2019. Taiwan imports APIs mainly to meet the domestic western medicine preparation manufactures' needs. In consideration to the pandemic that may affect the stability of the global API supply chain, the domestic manufacturers' material inventory demand greatly increases, resulting in a substantial increase in the import value in the second quarter. The yearly import value for 2020 was NTD6.54 billion, a slight 3.6% increase compared to 2019. API exports in the Taiwan's API industry remain unaffected due to the domestic pandemic being placed under stable control. The yearly API export value amounted to NTD4.49 billion, a 10.8% increase compared to 2019.

The import of western medicine preparation accounts for 86.8% of the total import value of Taiwan's pharmaceutical industry. Production and trading activities of foreign pharmaceutical companies have been restricted by the COVID-19 pandemic. Moreover, the general public's reduced hospital visits and medication use have resulted in a slight decline in pharmaceutical imports. In 2020, the yearly import value amounted to NTD90.12 billion, a 2.9% decrease compared to 2019. Taiwan's western medicine preparation manufacturers have successfully expanded exports, thus the sound export performance so far. Other than a slight decline in the third quarter, the other three quarters have shown growth. In 2020, the export values of western medicine preparation amounted to NTD10.56 billion, a 7.5% increase compared to 2019.

In recent years, a number of international biopharmaceuticals have been

approved by the TFDA for market launch and inclusion in the National health Insurance, boosting growth in Taiwan's import value of biopharmaceuticals. In 2020, the import value of biopharmaceuticals amounted to NTD34.15 billion, a 3.8% increase compared to 2019. The export of biopharmaceuticals comes with seasonal fluctuations and demands. Usually, the export value of influenza vaccines rises in the third quarter. Under the impact of COVID-19, the products sold through international channels showed a decline. In 2020, the yearly export value of biological preparations amounted to NTD2.41 billion, an 18.8% decrease compared to 2019.

TCM preparation under the pharmaceutical industry showed a favorable balance of trade (trade surplus). In 2020, the import value of TCM preparations amounted to NTD 40 million, a 5.8% decrease compared to 2019. Taiwan's TCM preparations showed a decrease in market demand in the first three quarters of 2020 due to the serious pandemic situation in export countries (United States and Singapore). Export growth was seen only in the third quarter. In 2020, the TCM total output was NTD980 million, a 6.7% decrease compared to 2019. Taiwan's pharmaceutical industry related import and export countries were further summarized. For advanced countries with pharmaceutical advancement, the pharmaceuticals mainly came from Europe, United States, and Japan. Ranked by ratio, Germany remained the number 1 import country, accounting for 20.5%. Its import value amounted to NTD26.72 billion, a 7.8% increase compared to 2019. The United States remained at number 2, with the import value of NTD19.29 billion and accounting for 14.8%; the third through the fifth in rank were Ireland, France, and Switzerland respectively. Taiwan's pharmaceuticals have stable sources, mainly the top 10 advanced countries. The import ratios also showed an upward trend. In 2020, the top five import countries accounted for 62.0% of the total (54.6% in 2015). The top 10 import countries accounted for 83.7% (80.2% in 2015).

In 2020, Taiwan's pharmaceuticals were exported to 100 countries around the world. The top five export countries ranked in order were The United States (accounting for 39.2%), China (accounting for 19.2%), Japan (accounting for 10%), Vietnam (accounting for 5.0%), and Hong Kong (accounting for 3.4%). The top five export countries/regions accounted for 76.8% of the export total. The top 10 export countries/regions accounted for 87.1% in total. Taiwan's amount of export slightly decreased by 1.8% compared to 2019 mainly due to a decrease in the export limit in some major export countries, including the top 10 export countries, namely, the Philippines (23.1% decrease), Thailand (decreased by 21.3% decrease), and Hong Kong (18.5% decrease). In addition, among the top 10 export countries, Vietnam (22.4% increase) and Japan (16.0 increase) achieved more impressive growth performance.

The highly integrated and highly competitive environment of the global API industry increases the competition pressure on API suppliers. Only controlling cost with technical advantages and reducing export prices are the keys to success for API manufacturers. Most API manufacturers engage in service diversification toward the contract manufacturing organization (CMO) or the contract development and manufacturing organization (CDMO) to facilitate the profit-making and development of APIs. To prevent API supply disruption through source diversification has triggered the restructuring of the global API supply and is expected to bring new business opportunities to the global API demand.

Taiwan imports most pharmaceuticals from advanced countries and regions like the USA and Europe. In 2018, the top five treatment drugs by sales volume were drugs for cancer, diabetics, CNS, infectious diseases, and cardiovascular diseases, accounting for 72.4% of all drugs and amounting to NT\$142.5 billion.

Before 2020, the top 10 best-selling pharmaceutical ranking and list varied from

those of 2019. Harvoni ranking number 1 last year, Maviret that ranked number 2, and Glivec ranking number 7, Crestor ranking number 8, and Nexavar ranking number 10 were replaced by new drugs in 2020, including Epclusa advancing from 81<sup>st</sup> to 1<sup>st</sup>, Keytruda climbing from 21<sup>st</sup> to 5<sup>th</sup>, and Tagrisso advancing from 153<sup>rd</sup> to 7<sup>th</sup>, and Humira that fell out of the rankings in 2019 but returned to 10<sup>th</sup> in 2020. In order for more hepatitis C patients to receive new anti-viral drug treatment and achieve the goal of eradicating hepatitis C in Taiwan by 2025, the Ministry of Health and Welfare (MOHW) obtained more funds designated for hepatitis C from the NHI global budget. Epclusa was included in NHI coverage in 2019, making it the drug with the second highest growth. Epclusa as a genotype drug makes treating hepatitis C easier and more effective. In terms of grading patients with liver function and cirrhosis, its usage draws no concern, giving this type of patients for treatment options and making Epclusa the best-selling pharmaceutical in 2020, hitting NTD2.97 billion sales or 451.1% growth. As announced by the Food and Drug Administration, for patients with severe liver damage or had experienced hepatic insufficiency, Maviret, also a genotype drug for treating hepatitis C, was excluded from the NHI coverage as of July 2020. The ranking therefore fell from 2<sup>nd</sup> to 6<sup>th</sup> in 2019, with a sales decline by 38.9%. Since the inclusion of Keytruda in NHI payment for treating liver cancer in 2019, the drug sales achieved substantive growth, reaching 72.7% in 2020 and ranking number 3. For Avastin with the 4<sup>th</sup> highest growth rate, although only two indications of metastatic colorectal cancer and malignant glioma were covered by health insurance, Roche continued to expand its indications, with sales of \$2.8 billion in 2020, which can be used to treat solid cancers, and is expected to grow steadily in the hospital in the future.

The National Health Insurance Administration, Ministry of Health and Welfare included Tagrisso, a new drug for advanced non-small cell lung cancer with EGFR mutation, was included in the NHI coverage in 2020. The sales of Tagrisso rapidly increased from NT\$310 million in 2019 to NTD1.85 billion in 2020, with 506.6% growth, making it the top 10 best-selling drugs with the highest growth in 2020.

Looking out to Taiwan's pharmaceutical industry, except for traditional pharmaceuticals, growth is expected in active ingredients, Western pharmaceuticals, and biopharmaceuticals with the highest growth. The growth in Western pharmaceuticals is limited as a result of the NHI drug pricing and the keep competition in the international market. The decline in 2019 also limits the growth momentum of Western pharmaceuticals. Nevertheless, a steady growth is expected in the whole pharmaceutical industry. Despite the hardship in the market, domestic pharmaceutical companies are making efforts in developing niche products and have faith in the industry's future. At the Bio Taiwan Committee (BTC), the Executive Yuan discussed topics including the forward-looking trend, startup outlook, sci-tech talents, legal environment, and investment attraction for the biomedicine industry in terms of "New Intelligence for Biomedicine, New Outlook for Industry". The BTC also focused on the development of interdisciplinary talents, capital investments, and legislation, hoping to build an environment favorable for pharmaceutical companies to enhance industrial competitiveness; build a national medical and health consortium to build a big database as the foundation for Taiwan's pharmaceutical industry to develop new drugs and new therapies, in order to engage in inter-sector development and system integration with the capacity of different advantageous industries and thereby develop the international competitive niche of Taiwan's biomedical industry.

#### 4. Facts in competition

The global drug market is growing constantly due to technological innovation and the growth of emerging economies. Innovative drugs, generic drugs, SBMPs, new formulations and new indications all have their own potential and opportunities.

Facing difficulties in operations and pressure of upgrading and transformation, pharmaceutical companies in Taiwan are in desperate needs of enhancing innovation capacity of feature products and strengthen the selection power of both products and customers, in order to develop deployment in the global market. The pharmaceutical industry in Taiwan actively cultivates the international market. The USA, Japan and mainland China are the major importing countries of Taiwan's Western pharmaceuticals. In recent years, apart from the success in the Southeast Asian market, traces have been extended to the European market.

As global fundraising, mergers and acquisitions is heating up, top-down vertical integration and expansion through horizontal mergers and acquisitions are thriving, the number of vertical integration and horizontal mergers and acquisitions in Taiwan's pharmaceutical industry gradually increases. As fundraising in the capital market is not easy, the scale of transaction awaits enhancement. Most biotech pharmaceutical companies extend their global reach through active deployment activities, such as international strategic alliances, licensing, or collaborative development. Mergers and acquisitions are a quick deployment model to acquire revenue from the international market in a short time. However, there are risks and conditions for mergers and acquisitions, including capital, partner selection, corporate asset valuation, legal and tax affairs, negotiation and communication. In terms of the global merger and acquisition models currently used by Taiwanese pharmaceutical companies, the common practices of include: mergers or acquisitions with the Taiwanese subsidiaries of overseas companies to acquire customers and revenues overseas; cross-sector mergers with overseas heterogeneous companies to enter the market of high-revenue and high-profit products and create cash flow as fund sources for investing in international deployment and pharmaceutical industry.

In Taiwan, there are 145 pharmaceutical companies complying with the PIC/S GMP. Most local pharmaceutical companies engage in the development, manufacturing, and sales of generic drugs for domestic demands, with only 20.6% of output for export. However, the implementation of the PIC/S GMP has increased the product cost of generic drugs significantly. In addition, drug prices in Taiwan have been reviewed and reduced many times under the NHI's global budget payment system. As a result, Taiwan has become one of the countries with the lowest drug price in the world. This situation also affects the overseas selling price of Taiwan's medicinal products. The rise in the manufacturing cost and reduction in the selling price under the NHI scheme together have significantly lowered the revenue and stripped away the profit-making space of domestic generic drugs. China and the USA are the world's two largest generic drug markets. China is developing a central procurement model to gain more space for price negotiation, while the USA increases significantly the number of generic drugs approved for the first time by the FDA under the Trump administration to quickly increase newcomers in the market to intensify market competitions for a price drop. Therefore, Taiwan's generic drug industry is facing pressures of different levels from both the domestic and export markets. Fortunately, Taiwanese pharmaceutical companies began to actively develop generic drugs for different export markets to increase the number of importing countries significantly. As a result, a significantly growth in the export of pharmaceutical preparations was noted in 2019.

Currently, generic drugs are the major products of Taiwan's pharmaceutical industry. While the reimbursement for drugs reduces annually under the NHI's global budget payment system, alongside the heightening international regulations that increase drug manufacturing costs, and under the patent linkage of drugs system in Taiwan, the growth of Taiwan's generic drug market will slow down, and the CGAR for 2019-2023 will be 3%, with a sales amount in 2023 at NT\$65.1 billion. The

government continues to promote relevant policies to support and reward manufacturers engaged in the development of new drugs, thereby enhancing the domestic new drug development industry. With the market launch of many domestically developed new drugs, Taiwanese manufacturers' new drug R&D momentum has reached a considerable standard, with internationally competitive capabilities. However, since most domestic manufacturers are SMEs with limited funds and resources, flexible operational strategies are adopted by these domestic manufacturers. In addition to developing domestic markets, they also seek international resource inputs. The success of international authorization and cooperation cases in recent years indicate the domestic new drug industry's competitiveness and attractiveness in the international drug markets. With the joint efforts of the government and manufacturers from all sides, the development of the domestic new drug R&D industries can further be promoted. Pharmaceutical companies are advised to expand global market deployment and accelerate business transformation toward the development of high value-added drugs, such as complex generic drugs, niche drugs with unfulfilled market demands, Paragraph IV generic drugs, CDMO, new drugs, and so on; and make the best use of cooperation through international strategic alliances and M&As to enhance operational efficiency, increase revenue, and share factory operating costs. These are the feasible strategies for the future development of Taiwanese general drug manufacturers.

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

1. In the latest year until the date as of Annual Report issuance, CCPC invested a total of NTD496,838 thousand into pharmaceutical research & development which will slightly reduced to NTD352,610 thousand in 2022.
2. Research & development fruits:
  - (1) Completion of 2021 self-developed drugs for human use and new products applying for inspection registration: Pet products: four items including one antibiotic (for export), one antiviral drug, one therapeutic agent for genitourinary diseases, and one diabetic treatment agent.
  - (2) 2021 Negotiations on animal products and new products applying for inspection registration: Pet products.
  - (3) In China, the Company successfully obtained 26 categories and 39 specifications of solid dosage forms; 15 categories and 52 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.

Domestically, veterinary drug products are mainly sold to pig farms, chicken farms, dairy cow ranches, feeds factories, veterinary hospitals, veterinary drug product dealers, and overseas distributors.

In the animal husbandry industry, due to the restrictions of and conformity with environmental protection laws and regulations, county/city governments have established self-governance regulations to limit the increase and expansion of ranches. Due to lower competitiveness, small ranches either shut down operations or engage in contract raising for feeds factories to enhance competitiveness. As a result, the number of ranches is reducing. In addition, in response to the consumer's food safety demand, the government has excluded some drug-containing feed additives and established the "Regulations Governing Veterinarian (Veterinary Assistant) Prescription Drugs" to strictly control antibiotic uses. Animal drug supplements and animal vaccines will be the future trends of development in the veterinary drug product branch. Besides actively marketing various animal health supplements, we will develop or import animal vaccines to avoid the price competition of animal antibiotics and drug-containing 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.

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 animal health products, due to the restrictions of and compliance with environmental protection laws and regulations, expansion is not easy for the livestock industry and small farms sign contracts with feed mills to enhance competitiveness, resulting in the reduction of domestic livestock farms. In response to the customer's request for food safety, the government has abolished some drug-containing feed additives and established the "Regulations for Management of Veterinarian (Veterinary Assistant) Prescription Drugs" to strictly control antibiotics uses. 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 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 total incoming goods amount.

2. Clients accounting for ten percent of the total sales 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 total sales amount.

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

Production volume & value Main Products			Year	Productivity	2020		2021	
					Outputs	Output value	Outputs	Output value
Human oriented drugs	Injections	Expressed on one thousand pieces	54,600	41,136	857,747	40,430	851,228	
	Liquid creams	Kg.	574,000	438,523	105,084	335,306	106,681	
	Tablets	Expressed on thousand pieces	2,296,000	2,448,782	2,112,884	2,387,477	2,039,237	
Animal health products	Injections	Expressed on one thousand pieces	2,180	544	37,396	651	55,840	
	Liquid creams	Kg.	612,000	122,346	47,986	135,169	55,891	
	Feed additives	M. T.	5,124	2,096	297,142	2,212	318,293	
Plastic containers		M. T.	947	616	60,314	616	64,748	
Total				-	3,518,553	-	3,491,918	

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

Sales volume Main Products				Year		2020				2021			
				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	42,474	1,309,490	239	37,447	40,595	1,280,082	162	25,848		
		Liquid creams	Kg.	413,686	192,489	2,873	2,542	318,507	171,109	1,657	5,279		
		Tablets	Expressed on thousand pieces	2,197,690	3,565,097	108,866	536,272	2,246,809	3,454,398	141,045	334,614		
	Animal health products	Injections	Thousand pieces	640	84,375			699	96,466				
		Liquid creams	Kg.	112,161	77,958			141,258	88,018				
		Feed additives	M. T.	2,148	379,494			2,199	406,997				
Plastic containers		M. T.	620	81,847			767	77,519					
Instrument	Daily use health-care products			547,007				717,246					
	artificial joint prosthesis		piece	88,298	294,014			84,326	212,757				
	Pharmaceuticals and others				1,026,728	46,296		1,042,529		36,136			
Total				-	7,558,499	-	622,557	-	7,547,121	-	401,877		

III. Employees:

Item		Year		
		2020	2021	Year-to-date March 31, 2022
Number of employees	Administrative staff	111	186	186
	Quality controllers	139	148	148
	Manufacturing personnel	802	800	784
	Research & development specialists	91	92	91
	Marketing personnel	644	616	628
	Total	1787	1842	1837
Average ages		40	41	40
Average years of service		7.5	7.32	7.32
Academic qualification	Doctoral Degree	0.28%	0.53%	0.52%
	Master's Degree	8.76%	8.78%	9.04%
	Bachelor's Degree	61.08%	62.30%	62.93%
	High school	20.58%	20.17%	20.62%
	Below high school	9.30%	8.22%	6.89%

IV. Information on environmental protection expenses: In the most recent year and as of the date of annual report printing, losses incurred due to environmental pollution (including compensations and environmental protection audit results in violation of matters in the environmental protection regulations). Between 2017 to 2021, we spent a total of NT\$8.45 million on the environmental impact assessment for soil and groundwater pollution.

V. Labor-capital 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 2020 to 2021.
- (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) When issuing common stock for cash, we provide opportunities for employee subscription by law: No issuance of common stock for cash in 2021.
- (8) ESOT: In our employee retirement scheme, besides contributing the labor retirement fund according to the Labor Standards Act and the labor pension fund

according to the Labor Pension Act to the employee's pension account, we have also established the Employee Share Ownership Trust (ESOT) Committee for employees to determine the monthly deposit amount after one full year of service at the company to purchase the company's shares based on a systematic investment plan (SIP). In addition, we appropriate 100% of the employee's monthly deposit as a reward for stockholding. In 2021, a total of 1,240 employees were qualified for the ESOT, and a total of 927 employees applied for ESOT, accounting for 74.75%.

- (9) Employees requiring longer leave for parenting, severe illness or injury, or serious incidents may apply for leave without pay and return to work after leave to balance career and family care. In 2021 a total of eight females and one male employees applied for parental leave and a total of nine employees applied for leave without pay for illness, injury, and serious incidents.

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

In order to enhance employees' professional knowledge and skills, work effectiveness, and product quality, the departments shall formulate annual education training plans based on the Company's short-term, middle-term, and long-term operational objectives. The human resources department shall cooperate with external training facilities and universities. Courses on organizational management, operational management, and professional skills shall be periodically and occasionally held. Personnel shall also be dispatched to attend training courses conducted by external institutions if needed in order to strengthen the professional competency of employees under respective functions. In order to reward employees who, continue to receive training and absorb new knowledge and new intelligence. The "Regulations for Rewarding Employees Receiving Continuing Education." Employees that meet the criteria set in the regulation may enroll in in-service master's programs or doctorate programs. They shall also be eligible to apply for subsidies on domestic and foreign professional education training courses approved by the Company.

Facts of enforcement Year 2021:

- (1) Educational & training programs for newcomers, benefiting a total of 79 trainees at the total training costs of NTD110,110.
- (2) Internal education and training for employees and competencies of different levels for 8,158 persons (excluding internal OH&S education and training) with a training fee of NT\$259,500.
- (3) By 2021, a total of 232 persons, 77 persons, and 19 persons completed respectively the first, second, and third specialties internal training and education implemented for the job rotation system based on the employee's career planning.
- (4) The Company assigned right trainees to receive professional educational & training programs under the auspices of outside training institutions to benefit a total of 155 trainees, with total training fees amounting to NTD356,930 (with NTD53,704 incentive award granted by the Workforce Develop 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 256 trainees for whom the Company granted NTD1,018,087 training fees. (Received subsidies from the Workforce Development Agency, Ministry of Labor in the amount of NTD290,418).
- (6) The Company teamed up with Yuan Ze University to sponsor EMBA Administrative Programs and Business Administrative credit programs in two phases (with each phase for three years). In Year 2021, a total of 40 CCPC employees participated in the cultivation & training programs at the total training fees of NTD586,424 (with NTD283,160 incentive award granted by the

Workforce Develop Agency, Ministry of Labor)

- (7) In conjunction with the Company's system promotion, three OKR courses were commended to foster grassroots and middle-rank supervisors' solid knowledge of the OKR theory and correct concepts and mentality and reserve OKR related application capabilities. A total of 120 people received training, with the training expenses totaling NTD324,817.
- (8) Employees satisfactory to the requirements under "Regulations Governing Incentives Granted to Encourage Employees into Higher Education", one in number, studied in domestic Graduate Schools. The Company granted a total of NTD97,852 subsidy for the tuition fees.
- (9) To lower the employee turnover, senior student training accompaniment was implemented on 11 new employees, with a training fee of NT\$532,700 (the 2021 training program was approved a by the Workforce Development Agency of the Ministry of Labor with a subsidy of NT\$532,700).
- (10) The Company opened English training seminars where a total of 20 employees participated and completed the programs. For the programs, the Company offered NTD292,500 training fees (In the wake of successful pass in the evaluation process, the Company received NTD192,000 incentive from the Workforce Development Agency, Ministry of Labor).
- (11) Internal instructor training: Completed the training for a total of 326 instructors accumulatively.
- (12) Through cooperation with major domestic universities and colleges, internships, workplace experiences, and courses are handled.to open up talent recruitment sources and establish talent databases. The 2021 cooperation results are as follows: industry-academia cooperation internships have been postponed due to the harsh COVID-19 situation. Engaged in cooperation with National Yunlin University of Science and Technology, Chia Nan University, National Chin-Yi University of Technology, National United University, Minghsin University of Science and Technology, Chung Hwa Medical University, National Pingtung University of Science and Technology, and Yuanpei University of Medical Technology to gain workplace experiences. Seventy-four students received training. Cooperated with the Chia Nan University to the "Pharmaceutical Engineering" practical course at a pharmaceutical company. Forty students completed the training.
- (13) 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 Year 2021, the Company was granted financial subsidy amounting to NTD1,058,782.

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 cumulative balance of the labor retirement reserve fund allocated accounted to NTD287,750 thousand on December 31, 2021. In addition, for employees selecting the scheme under the Labor Pension Act, every

month we contribute 6% of their salary to their personal accounts at the Bureau of Labor Insurance. In 2021, the contribution totaled NT\$22,027,000.

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). )

- A. Continuous service for 15 or more years and aged 55.
- B. Continuous service for 25 or more years.
- C. Continuous service for 10 or more years and aged 60.

(2) Compulsory retirement

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

- A. Aged 65.
- B. Incompetent for work due to insanity or physical disabilities.

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) Standard of pension payment

- A. For the length of service covered by the pension scheme of the Labor Standards Act (LSA) and the length of service continuingly covered by the LSA pension scheme chosen under the Labor Pension Act (LPA), or the length of service retained for coverage under the LSA pension scheme, the pension will be calculated and paid according to Articles 84-2 and 55 of the LSA.
- B. Employees with the length of service as stated in the preceding paragraph, meeting the requirement for compulsory retirement as stated in Article 35, paragraph 1, subparagraph 2, and incompetent for carrying out duties due insanity or physical disabilities will receive an additional 20% of pension according to Article 55, paragraph 1, sub-paragraph 2.
- C. For employees qualified for the LPA pension scheme, this Company will contribute 6% of their insured salary to their personal pension account on a monthly basis.

(4) Pension payment

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

4. The situation of labor agreement and implementation:

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 Year 2021, 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	Tainan Plant IV
Safety & Health Managerial Officers	1	0	0	0	0	1	1
Class A Labor Safety & Health Business Head:	1	0	1	1	1	1	0
Class 2 occupational safety and health affair managers	0	1	0	0	0	0	0
Labor Safety & Health Committee: Number of members.	21	15	11	9	13	5	0

(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.

Facts about health examinations provided for employees in Year 2021 (The units, number of employees)

Plant zones and office premises	Supervisory heads	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	Tainan IV Plant	Uming	Total
General health examinations	34	236	54	74	104	36	35	13	449	1,035
Items of extraordinary health examinations:										
Trichloro ethylene										0
Arsenic Operation		1	2			1				4
Chromic acid and its chromate process		3	1			5				9
Benzene		2	12			5				19
Animals for laboratory purposes										0
Dimethyl-formamide operations		1	13							14
Carbon Tetrachloride				4						4
Auxiliary cancer screening	34		22						449	505

- g. Every year, we arrange influenza vaccination for employees to reduce the influenza incidence rate, prevent disease transmission from workplaces to homes, and thereby protect the seniors and children of employees.

(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 on Internal OH&S Education and Training in 2021

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	4	1	1	1	2	1	10
Total number of hours	831	58	316	72	103	58	1438
Aggregate total of trainees	277	58	79	36	41	29	520

External Training on OH&S, Hazardous Substances, Harmful Substances, and Dangerous Equipment in 2021

	CCPC	Chunghwa Yuming Healthcare Co., Ltd.
Number of educational & training programs provided	30	1
Total number of hours	956	12
Aggregate total of trainees	293	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 Year 2021

Plant zones	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	Total
Number of fire-fighting drills	2	2	1	1	1	1	8
Total number of hours	136	468	316	72	132	58	1182
Number of participants	34	117	79	36	33	29	328

Emergency response drilling in 2021 (emergency evacuation for man-induced situations)

Plant zones	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	Total
Number of fire-fighting drills	2	2	1	2	1	1	9
Total number of hours	136	468	79	132	132	58	1005
Number of participants	34	117	79	66	33	29	358

Statistics of Disaster (Earthquake) Prevention Drilling in 2021

Plant zones	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	Total
Number of fire-fighting drills	2	2	1	1	1	1	8
Total number	136	234	66	33	58	58	585

of hours							
Number of participants	34	117	33	33	29	29	275

- 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 Year 2021

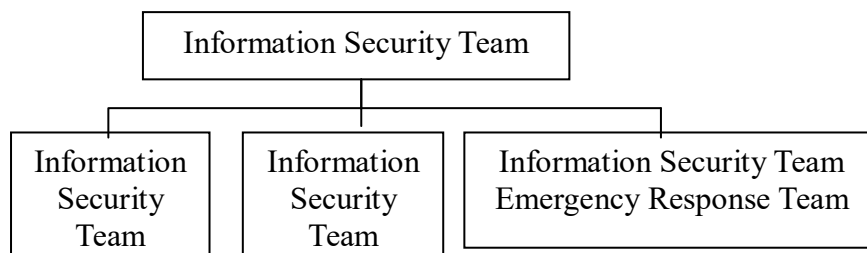
Plant zones	The Xinfeng factory and its quality assurance division	The Xinfeng II plant and its research institute	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of audits conducted	4	1	3	4	4	4	20

- 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 most recent year and as of the date of annual report printing, losses incurred due to labor disputes (including labor inspection results in violation of provisions in the Labor Standards Act). The disposal date, disposal number, regulation articles on violations, contents of regulations on violations, disposal content shall be stated. The estimated amounts and coping measures for current and possible future occurrences shall be disclosed. The Company shall handle various labor matters in accordance with relevant government laws and regulations. Therefore, occurrences of labor disputes are unlikely.

VI. ICT security management:

- (I) Specify the information communication security and risk management framework, information communication and security policies, specific management plans, and resources inputted into information communication safety and management.
  - 1. ICT security risk management framework



The Company set up the information security team (as shown in the organization chart above) under the Information Division. It shall be responsible for inspecting the Company and its subsidiary's information security policy and monitor the situation of information security management operations in order to construct all-round information security defense capabilities and employees' information security

awareness. The information security safety management and implementation results shall be periodically reported to the board of directors every year. In network security defense, we have adopted multiple network security defense systems by setting up firewalls, intrusion detection systems, and antivirus systems at the front end as the foundation for corporate information security protection. In addition, antivirus software is deployed on intranet servers and terminals from the central console, various codes are updated at all times to immediately identify the patterns of malicious behavior and intercept viruses such as Trojan, ransomware, and malicious programs attached in documents to effectively reduce the risk of damage caused by hacker attacks. Every year the internal audit unit implements the ICT security management audit at planned intervals, issues the audit reports, and reports on the audit results at the audit committee and board meetings periodically.

## 2. ICT security policy

### (Purpose)

The CCPC ICT Security Policy (hereinafter called as the “Policy”) is established as the highest directive for ICT management of this Company to enhance the safety and stability of ICT operations; provide trustworthy ICT services; ensure the confidentiality, integrity, and availability of information assets; and smoothly promote all types of business of this Company to comply with ICT security management.

### (Scope)

This Policy shall apply to the employees of this Company and subsidiaries and the personnel of suppliers or a third party having access to the business information of this Company or providing services for this Company.

### (Targets)

- Ensure the confidentiality of this Company’s related information to protect the trade secrets and personal data of this Company.
- Ensure the integrity and availability of this Company’s related information to enhance work performance and quality.
- Enhance this Company’s overall ICT security protection capacity.
- Achieve this Company’s goal of business continuity.

### (Strategy)

- Assess ICT security requirements and establish related procedures in consideration of legal compliance and business operations needs to ensure the confidentiality, integrity, and availability of information assets.
- Establish this Company’s ICT security organization and division of labor to enable the implementation of ICT security protection.
- Implement various to-do matters with respect to the Regulations for Grading ICT Security Responsibilities.
- Establish a ICT incident reporting and response mechanism to ensure the proper address, control, and handling of ICT incidents.
- Audit ICT security operation regularly to ensure good ICT security management.

### (Review)

This Policy shall be approved by the chairperson. The IT Division shall assess this Policy at least once a year or after a significant organizational change (such as organization restructuring or significant business changes). This Policy shall be amended appropriately with respect to the assessment results, related laws and regulations, and the latest development of technology and business.

## 3. Specific management plans

### (Purpose)

Related specifications are established to provide a reference for this Company to maintain ICT security management and strengthen the mechanisms for information security protection.

(Scope of Control)

Computer servers, computer equipment, compute programs, database files, and computer monitors, reports, and media.

(Operating procedures)

- Data center specifications
  - A. Non-ICT processing personnel are not allowed to enter the data center without permission and shall register in the access control log in advance.
  - B. No flammable objects are allowed in the data center, and fire equipment in the data center shall be examined by contractors regularly.
- Purchase requisition and installation specifications of computer equipment
  - A. Before renewing and purchasing equipment, applicants shall fill in the Purchase Requisition and submit it for approval to the related responsible units before purchasing and installation by the IT Division.
  - B. Computer equipment shall be installed in the presence of IT personnel. Installation of illegal software is not allowed. Antivirus software shall be properly installed. Virus scan and virus code update shall be implemented regularly.
  - C. Portable computer equipment shall be included in the handover of personnel resignation.
  - D. The firewall shall be installed on the server. All remote access shall be made via the firewall.
- Operation control
  - A. Users must log off from the server and turn off the computer after use.
  - B. Employees are not allowed to process operation unrelated to their own business with the system and equipment of the IT center.
  - C. When using the server after the business hours or on holidays is required, users shall state the purpose and time of use to apply for permission to their responsible supervisors before notifying the IT department to take corresponding measures.
  - D. The ICT department shall keep track on the system abnormal job logs and take necessary actions.
  - E. The ICT department shall make backup copies of data regularly, store the backup copies offsite, and run the offsite recovery test.
- Password control
  - A. Each user shall be assigned with one independent user ID and one independent password.
  - B. The password of authorized users shall be kept in a control list and shall not be shared with others.
  - C. After the resignation or job transfer of an employee, its user ID shall be cancelled or updated immediately.
  - D. All files shall be maintained over the application after going live, and the application shall be controlled by privilege.
  - E. Each password shall be changed once every three months. Each password shall contain a minimum length of six characters, with at least one letter.
  - F. Each user shall apply for an account and privilege with an IT application form. After the approval of the department head, the system security management personnel of the IT department will process the application.
- Privilege control
  - A. Users shall use related functions according to the assigned privilege.
  - B. The division of privilege shall apply to data access. Audit and management personnel shall have no privilege to update the database.
  - C. Unauthorized financial personnel shall have no privilege to access the financial

report system.

- D. Except for running applications in the AP server, general users are not allowed to access the utility software, tools or commands in the server system.
  - E. System developers/programmers shall have no privilege to access live system programs and data files.
  - F. When assigning privilege for contractors to maintain software and hardware, the user IDs and corresponding privileges shall be “disabled” in ordinary times.
  - G. A computer log shall be maintained for system operators to record system conditions. Such records shall be reviewed by the supervisor.
  - H. The system shall record the system use of users. The system administrator shall review and trace users that have not logged on the system for a long time.
  - I. ICT personnel shall have no privilege to access live applications.
  - J. No password shall be displayed on the computer screen or printed in any reports without encryption.
  - K. ICT personnel shall fill in a resignation application form before resigning from the Company. The application shall be approved by the unit head and the personnel shall complete the handover procedures before they are allowed to resign. They must sign the handover form to complete the handover procedure.
4. Resources inputted into information communication and security management:

In terms of incoming personnel training scheduling information system operations and courses on information communication safety regulations, the Company occasionally uses events to promote information communication security propaganda to employees through the Company’s internal network. In order to strengthen the Company’s information security technology and security protection, expenses on information communication and security protection in 2021 amounted to about NTD6,600 thousand. In 2022, a budget of about NTD5,740 thousand was allocated. The information communication and security management and implementation shall be periodically reported to the board every year.

- (II) As of the date of annual report printing, losses incurred due to major information and communication security events in the most recent year, possible impacts, and coping measures shall be listed. If unable to provide a reasonable estimate, the facts for inability to do so should be explained.

No significant information security incident has been reported in the previous fiscal year and by the date of report publication.

VII. Major contracts:

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Distribution	Stryker (Greater) China Limited	Three years starting from January 1, 2020	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.	Since the contract took effect in 2015 until now.	Shin Lu Lu Ace sugar coated tablets	<ol style="list-style-type: none"> <li>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</li> <li>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.</li> <li>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).</li> <li>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.</li> </ol>

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Commissioned manufacturing	Tien Sheng Tang Pharmaceutical Manufacture Co., Ltd.	2015.03.01~ 2021.03.31 (Automatically renewed for another year since the expiring day and further expiring day thereafter)	As stipulated by the “Criteria for Commissioned Drug Manufacture and Inspection Work,” as promulgated by Food and Drug Administration, Ministry of Health and Wellbeing, Executive Yuan,	Where the Company commissions CCPA to manufacture the pharmaceuticals licensed and permitted for manufacture, the Company shall not transfer the license or permit to a third party or make other change unless consented by CCPA.
	Yu Hsin Hang Co., Ltd.	2004.07.01~ 2022.12.31		
	Shionogi & Co., (Taiwan) Ltd.	2016.06.30~ 2021.06.29 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	Taiwan Meiqiang Co., Ltd.	2022.01.01~ 2023.12.31	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.
	MegaPro Biomedical Co., Ltd.	2019.12.03~ Patent validity	Polymeric micelle Nano-micelle platform	Without the prior writing consent of the other party, no part of this Platform shall be transferred or re-licensed to any third party, nor shall the implementation of this Platform be licensed to any third party.
	Daiichi-Sankyo Taiwan Co., Ltd.	2016.04.01~ 2022.04.30	OEM of drugs with manufacturing permits by CCPC	
	Heng Zhen Enterprise Co., Ltd.	2016.11.01~ 2022.10.31 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	TTY Biopharm Company Limited	To December 2023		
Land leasing	Private Taipei Ren Ji Hospital of Taiwan Province	2019.12.31~ 2024.12.31	Lot Nos. 336, 337 Gongyuan Section 2, Taipei City under leasehold, 312 m <sup>2</sup> in total area.	At the monthly rent of NTD314,288 per month Subject to a change along with the rent adjustment by the government authorities during the period of leasehold.
Mid-term and long-term Loans	Hua Nan Bank	2021.12~ 2023.12	Mid-term and long-term Loans	Mortgage with real estate
	Mega International Commercial Bank Co., Ltd.	2021.11~2023.11	Mid-term and long-term Loans	Mortgage with real estate

## Six. Financial summary

I. The condensed balance sheet and consolidated profit & loss statement of the past five years, names of the testifying Certified Public Accountants and the audit opinions thereof.

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

### Consolidated Condensed Balance Sheet

Unit: NTD thousand

Item		Year	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2022 (Note 3)
		2017	2018	2019	2020	2021		
Current assets			4,723,432	5,175,775	5,497,792	5,927,351	5,567,045	—
Property, plant, and equipment			4,042,123	3,948,268	4,235,151	4,254,179	4,136,266	—
Intangible assets			32,369	31,899	24,281	27,734	15,936	—
Other assets			1,478,639	1,610,360	1,820,681	2,147,650	3,067,629	—
Total assets			10,276,563	10,766,302	11,577,905	12,356,914	12,786,876	—
Current liabilities	Before dividend distribution		2,637,037	2,867,910	3,031,654	3,312,628	2,807,463	—
	After dividend distribution		2,815,886	3,106,375	3,270,119	3,610,709	3,075,736 (Note 2)	—
Non-current liabilities			2,035,831	2,197,235	2,606,898	2,417,427	2,190,943	—
Total liabilities	Before dividend distribution		4,672,868	5,065,145	5,638,552	5,730,055	4,998,406	—
	After dividend distribution		4,851,717	5,303,610	5,877,017	6,028,136	5,266,679 (Note 2)	—
Equity of the parent company			5,563,143	5,670,558	5,906,464	6,591,677	7,754,110	—
Capital stock			2,980,811	2,980,811	2,980,811	2,980,811	2,980,811	—
Capital surplus			644,659	644,859	645,774	646,000	646,593	—
Retained earnings	Before dividend distribution		1,937,763	2,100,735	2,259,828	2,766,989	3,617,351	—
	After dividend distribution		1,758,914	1,862,270	2,021,363	2,468,908	3,349,078 (Note 2)	—
Other equity			27,964	(27,793)	48,105	225,931	537,409	—
Treasury stock			(28,054)	(28,054)	(28,054)	(28,054)	(28,054)	—
Non-controlling interest			40,552	30,599	32,889	35,182	34,360	—
Total equity	Before dividend distribution		5,603,695	5,701,157	5,939,353	6,626,859	7,788,470	—
	After dividend distribution		5,424,846	5,462,692	5,700,888	6,328,778	7,520,197 (Note 2)	—

Note 1: The financial data as of 2017 ~ 2021 having been duly testified and audited by the Certified Public Accountants.

Note 2: The 2021 earnings distribution ratio was resolved by the board of directors on March 8, 2022; distributed NT\$0.9 cash dividend per share, which was pending approval by the shareholders meeting.

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

Unit: NTD thousand

Item	Year	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2022 (Note 3)
		2017	2018	2019	2020	2021	
Current assets		2,452,141	2,870,206	3,174,209	3,475,791	3,193,213	—
Property, plant, and equipment		3,453,753	3,421,013	3,546,057	3,600,695	3,568,949	—
Intangible assets		12,949	14,149	10,126	19,917	13,632	—
Other assets		2,953,971	2,980,746	3,142,741	3,473,113	4,405,933	—
Total assets		8,872,814	9,286,114	9,873,133	10,569,516	11,181,727	—
Current liabilities	Before dividend distribution	1,407,176	1,553,152	1,696,771	1,874,262	1,512,913	—
	After dividend distribution	1,586,025	1,791,617	1,935,236	2,172,343	1,781,186 (Note 2)	—
Non-current liabilities		1,902,495	2,062,404	2,269,898	2,103,577	1,914,704	—
Total liabilities	Before dividend distribution	3,309,671	3,615,556	3,966,669	3,977,839	3,427,617	—
	After dividend distribution	3,488,520	3,854,021	4,205,134	4,275,920	3,695,890 (Note 2)	—
Equity of the parent company		5,563,143	5,670,558	5,906,464	6,591,677	7,754,110	—
Capital stock		2,980,811	2,980,811	2,980,811	2,980,811	2,980,811	—
Capital surplus		644,659	644,859	645,774	646,000	646,593	—
Retained earnings	Before dividend distribution	1,937,763	2,100,735	2,259,828	2,766,989	3,617,351	—
	After dividend distribution	1,758,914	1,862,270	2,021,363	2,468,908	3,349,078 (Note 2)	—
Other equity		27,964	(27,793)	48,105	225,931	537,409	—
Treasury stock		(28,054)	(28,054)	(28,054)	(28,054)	(28,054)	—
Non-controlling interest		—	—	—	—	—	—
Total equity	Before dividend distribution	5,563,143	5,670,558	5,906,464	6,591,677	7,754,110	—
	After dividend distribution	5,384,294	5,432,093	5,667,999	6,293,596	7,485,837 (Note 2)	—

Note 1: The financial data as of 2017 ~ 2021 having been duly testified and audited by the Certified Public Accountants.

Note 2: The 2021 earnings distribution ratio was resolved by the board of directors on March 8, 2022; distributed NTN\$0.9 cash dividend per share, which was pending approval by the shareholders meeting.

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 Income Statement

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	6,244,807	7,580,236	7,969,700	8,181,056	7,948,998	—
Gross profit	1,922,597	2,865,170	2,976,433	2,968,803	2,864,792	—
Operating gains and losses	277,301	336,442	374,640	421,232	423,889	—
Non-operating revenues and expenses	88,762	114,046	70,914	236,408	235,351	—
Net profit before taxation	366,063	450,488	445,554	657,640	659,240	—
Current year profit of continuing business units	306,494	366,947	384,822	559,500	516,355	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	306,494	366,947	384,822	559,500	516,355	—
Other comprehensive income for the period (post-tax profit or loss)	(22,707)	(61,233)	88,806	366,245	942,744	—
Current period other comprehensive income (Gross)	283,787	305,714	473,628	925,745	1,459,099	—
Net income attributable to owners of the parent company	310,739	369,870	384,690	557,365	517,508	—
Net income attributable to non-controlling interests	(4,245)	(2,923)	132	2,135	(1,153)	—
Total comprehensive income attributable to owners of the parent company	287,936	308,605	473,456	923,452	1,459,921	—
Total comprehensive income attributable to non-controlling interests	(4,149)	(2,891)	172	2,293	(822)	—
Earnings per share	1.05	1.24	1.29	1.88	1.74	—

Note 1: The financial data as of 2017 ~ 2021 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 Income Statement

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	2,895,813	3,273,028	3,596,186	3,857,241	3,407,463	—
Gross profit	628,866	810,082	904,369	1,031,962	870,561	—
Operating gains and losses	210,718	283,128	338,443	394,768	275,232	—
Non-operating revenues and expenses	135,873	149,479	102,515	243,420	355,801	—
Net profit before taxation	346,591	432,607	440,958	638,188	631,033	—
Current year profit of continuing business units	310,739	369,870	384,690	557,365	517,508	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	310,739	369,870	384,690	557,365	517,508	—
Other comprehensive income for the period (post-tax profit or loss)	(22,803)	(61,265)	88,766	366,087	942,413	—
Current period other comprehensive income (Gross)	287,936	308,605	473,456	923,452	1,459,921	—
Net income attributable to owners of the parent company	310,739	369,870	384,690	557,365	517,508	—
Net income attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to owners of the parent company	287,936	308,605	473,456	923,452	1,459,921	—
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
Earnings per share	1.05	1.24	1.29	1.88	1.74	—

Note 1: The financial data as of 2017 ~ 2021 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) Names of financial statement auditors in the last 5 years, and their audit opinions

Year	Accounting firm	Name of auditor	Audit opinions
2017	PwC Taiwan	Lin, Jun-Yao; Chang, Shu-Chong	Unqualified opinion
2018	PwC Taiwan	Lin, Jun-Yao; Chang, Shu-Chong	Unqualified opinion
2019	PwC Taiwan	Chang, Shu-Chong; Lin, Jun-Yao	Unqualified opinion
2020	PwC Taiwan	Chang, Shu-Chong; Lin, Jun-Yao	Unqualified opinion and other matter paragraphs
2021	PwC Taiwan	Yu, Shu-Fen; Lin, Jun-Yao	Unqualified opinion and other matter paragraphs

II. Financial analysis for the latest 5 years:

Consolidated financial analyses

Year (Note 1)		Financial analysis for the latest 5 years					In the current year as of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt to assets ratio	45.47	47.05	48.70	46.37	39.09	-
	Ratio of long-term capital to property, plant and equipment	189.00	198.44	201.79	212.60	241.27	-
Solvency (%)	Current ratio	179.12	180.47	181.35	178.93	198.29	-
	Liquid ratio	111.54	103.43	105.55	104.89	116.08	-
	Interest coverage ratio	11.22	12.96	11.13	16.36	19.44	-
Operating ability	Turnover rate of accounts receivable (times)	3.21	3.92	3.48	3.76	3.76	-
	Number of days in average cashing.	113.70	93.11	104.88	97.07	97.07	-
	Rate of stock turnover (times)	2.58	2.46	2.27	2.27	2.17	-
	Rate of payable turnover (times)	6.42	5.93	5.70	5.70	5.92	-
	Average number of days in sales.	141.47	148.37	160.65	160.79	168.20	-
	Rate of real estate, plant buildings and equipment turnover (times)	1.54	1.88	1.88	1.92	1.89	-
	Rate of turnover rate for total assets (times)	0.61	0.72	0.69	0.68	0.63	-
Profitability	Return on assets (%)	3.32	3.77	3.76	4.96	4.33	-
	Return on equity (%)	5.52	6.49	6.61	8.90	7.16	-
	Percentage of net profit before tax to the paid-in capital (%)	12.28	15.11	14.95	22.06	22.12	-
	Net profit rate (%)	4.91	4.84	4.83	6.84	6.50	-
	Earnings per share (\$)	1.05	1.24	1.29	1.88	1.74	-
Cash flow	Cash flow ratio (%)	17.53	5.33	10.80	27.08	24.79	-
	Cash flow adequacy ratio (%)	62.12	59.86	56.03	62.47	77.01	-
	Cash reinvestment ratio (%)	2.67	(0.50)	0.81	5.61	3.09	-
Leverage	Business operation leverage	22.52	22.53	21.27	19.42	18.75	-
	Financial leverage	1.15	1.13	1.13	1.11	1.09	-

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 decrease in return on equity was due to the increase in undistributed earnings and unrealized appraisal benefits.
2. The increase in cash flow ratio is due to a decrease in capital expenditure.
3. The decrease in cash reinvestment ratio is due to a decrease in net cash inflow.

Note 1: The financial data as of 2017 ~ 2021 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 analyses

Items of analysis		Financial analysis for the latest 5 years					In the current year as of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt to assets ratio	37.30	38.94	40.18	37.64	30.65	-
	Ratio of long-term capital to property, plant and equipment	216.16	226.04	230.58	241.49	270.91	-
Solvency (%)	Current ratio	174.26	184.80	187.07	185.45	211.06	-
	Liquid ratio	114.16	114.76	126.22	121.52	139.53	-
	Interest coverage ratio	11.41	13.35	12.30	18.12	21.50	-
Operating ability	Turnover rate of accounts receivable (times)	2.22	2.28	2.12	2.04	1.82	-
	Number of days in average cashing.	164.41	160.08	172.16	179.35	200.55	-
	Rate of stock turnover (times)	2.90	2.58	2.51	2.43	2.21	-
	Rate of payable turnover (times)	9.15	8.41	8.58	8.76	7.52	-
	Average number of days in sales.	125.86	141.47	145.42	150.05	165.16	-
	Rate of real estate, plant buildings and equipment turnover (times)	0.84	0.96	1.01	1.08	0.95	-
	Rate of turnover rate for total assets (times)	0.33	0.35	0.36	0.38	0.30	-
Profitability	Return on assets (%)	3.83	4.38	4.34	5.74	4.98	-
	Return on equity (%)	5.64	6.59	6.65	8.92	7.21	-
	Percentage of net profit before tax to the paid-in capital (%)	11.63	14.51	14.79	21.41	21.17	-
	Net profit rate (%)	10.73	11.30	10.70	14.45	15.19	-
	Earnings per share (\$)	1.05	1.24	1.29	1.88	1.74	-
Cash flow	Cash flow ratio (%)	20.04	13.82	9.85	30.86	49.28	-
	Cash flow adequacy ratio (%)	65.88	70.25	56.80	63.46	76.74	-
	Cash reinvestment ratio (%)	0.85	0.11	(0.70)	3.13	3.73	-
Leverage	Business operation leverage	13.74	11.56	10.63	9.77	12.38	-
	Financial leverage	1.19	1.14	1.13	1.10	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 cash flow and cash flow ratio is due to an increase in the inflow of accounts receivable and loan repayments to financial institutions.
2. The increase in operating leverage is due to a decrease in operating income due to the impact of the pandemic.

Note 1: The financial data as of 2017 ~ 2021 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.

Calculation formulas:

- Note 1: In the year where the financial statements were not certified by the Certified Public Accountants, it should be expressly remarked.
- Note 2: In case of a company having stocks listed and traded in the securities dealers' business premises, and the financial data had been covered within the analyses as of the quarter preceding the date of publication of the annual report.
- Note 3: The following calculation formula should be remarked at end of this Table:
1. Financial structure
    - (1) The ratio of total liabilities to total assets = total liabilities/total assets
    - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.
  2. Solvency
    - (1) Current ratio = current assets / current liabilities.
    - (2) Quick ratio = (current assets – inventories – prepaid expense) / current liabilities
    - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
  3. Manageability
    - (1) Turnover rate of the account receivable (including account receivable and notes receivable incurred as a result of business operation) = The balance of the net sales amount / Account receivable averaged in various term (Including account receivable and notes receivable incurred as a result of business operation).
    - (2) Number of days in averaged cashing = 365 / Turnover rate of account receivable.
    - (3) Inventory turnover rate = Sales cost / Averaged inventory amount.
    - (4) Turnover rate of the payables (Including accounts payable and the notes payable incurred by business operation) = Sales cost / Balance of the payables averaged in various term (Including accounts payable and the notes payable incurred by business operation)
    - (5) Number of days on averaged sales = 365 / Inventory turnover rate.
    - (6) Turnover rate of real estate, plants and equipment = Net amount of sales / Averaged net amount for the real estate, plants and equipment
    - (7) Overall asset turnover rate = Net amount of sales / Total of average assets
  4. Profitability
    - (1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average asset balance.
    - (2) Return on shareholders' equity = after tax net profit / total average equity.
    - (3) Profit ratio = net income / net sales
    - (4) Earnings per share = (profits or loss attributable to owners of the parent company – preferred stock dividend) / weighted average stock shares issued (Note 4)
  5. Cash flow
    - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
    - (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
    - (3) Cash re-investment ratio = (net cash flow from operating activity – cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 5)
  6. Leverage:
    - (1) Operation leverage = (Net amount of operating revenues - Variable operating costs and expenses) / Operating profit (Note 6).
    - (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).
- Note 4: In the aforementioned formula to calculate earnings per share, the key points should be watchful upon measuring:
1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
  2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
  3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual EARNINGS PER SHARE of the year. The period for the release of such new shares may be omitted.
  4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (issued or not) shall be subtracted from earnings or added to earnings. If the preferred stock is non-cumulative preferred stocks, dividend on the preferred stock shall be subtracted from earnings after income tax, if any. If there are no earnings after income tax, no adjustment shall be made.
- Note 5: The cash flow analysis must take into account the following:
1. Net cash flow from operation refers to net cash inflow from operation as stated in the Statement of Cash Flow.
  2. Capital spending refers to the cash outflow to annual capital investments.
  3. The increase of inventory is counted only when the ending balance is greater than the beginning balance. In case of the inventory at end of the year decreases, it shall be counted at zero.
  4. Cash Dividends includes the dividends in cash paid to holders of common shares and preferred shares.
  5. The gross amount of real estate, plants and equipment refers to the total amount of real estate, plants and equipment before deduction of the accumulated depreciation.
- Note 6: An issuer shall classify various operating costs and operating expenses into fixed and variable based on the attributes. Where it involves subjective judgment or estimation, the Issuer shall be watchful of the rationality and shall maintain the consistency.
- Note 7: Where the Company's share certificates are without fact amount or are in face amount other than NTD10 per share, the aforementioned ratio to the paid-in capital shall be calculated based on the ratio of the owner's equity ratio attributed to the parent company.

III. The Audit Committee's Audit Report as shown through the financial statements in the latest year:

## China Chemical & Pharmaceutical Co., Ltd.

### Audit Committees' Review Report

The Board of Directors prepared and submitted the business report, financial statements (both consolidated and individual), and proposal for earnings distribution of 2021. The aforementioned business report, financial statements (including individual and consolidated financial statements) and proposed distribution of earning have been duly audited by the Audit Committee and were believed without non-conformity. The Report as mentioned above is duly submitted in accordance with Article 14~4 of Securities and Exchange Act, Article 219 of Company Act. Please check and verify.

Best regards

2022 Shareholders' regular meeting of China Chemical & Pharmaceutical Co., Ltd.

Audit Committee, Convener: Chen, Hung-Shou

March 8, 2022

#### IV. Latest financial reports

#### Auditor's Report

(2022) Cai-Shen-Bao-Zi No. 21004033

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, 2021 and 2020, 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, 2021 and 2020, 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 2021. 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 2021 included:

#### **Accounting estimation of allowance for account and note receivables**

##### Description of the matter

Please refer to the footnotes related to account and note receivables in the consolidated financial statement: Note 4 (9) for the accounting policy, Note 5 (2) for accounting estimation and uncertainty assumption and Note 6 (3) for item explanation.

The Group assessed the impairment losses of account and note receivables by taking into consideration the overdue status and existing allowance made based on indicators of impairment from each case. The item is listed as a key audit matter because assessment involved subjective judgments from the management, and the receivables involved were significant.

#### Audit response

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

1. Evaluate the reasonableness and consistency of the allowance policies adopted on account and note receivables.
2. Perform tests on effectiveness of the internal control system relating to customer credit setting and approval
3. Perform tests on account receivable aging report to ensure the reasonableness of aging categorization and allowance estimation.
4. Evaluate the appropriateness of supporting evidence identified by management when judging impairment of account and note receivables of significance.
5. Collect information related to uncollected account and note receivables of significance after the current period and re-evaluate the adequacy

### **Evaluation on inventory**

#### Description of the matter

For the accounting policy of the assessment of inventory write-downs, please refer to Note 4(13). 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(4).

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 2021 and 2020 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 NTD255,493 thousand and NTD206,149 thousand as of December 31, 2021 and 2020, respectively, which accounted for 2% and 1.67% of the consolidated assets, respectively. The operating income was NTD124,038 thousand and NTD132,186 thousand for the year ending December 31, 2021 and 2020, respectively, which accounted for 1.56% and 1.62%, respectively, of the consolidated operating income. In addition, investments using the equity method by CCPC as of December 31, 2021 and 2020 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 NTD421,645 thousand and NTD400,803 thousand as of December 31, 2021 and 2020, which accounted for 3.30% and 3.24% 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 NTD57,598 thousand and NTD56,463 thousand for the year ending December 31, 2021 and 2020, respectively, which accounted for 3.95% and 6.10%, respectively, of the combined profits.

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

SINOCHEM Group has drafted individual financial statements for 2021 and 2020, 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 an auditor's report. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Misstatements can arise from fraud or error. If fraud or errors are considered material, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a manner 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 2021 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 29, 2022

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, 2021 and 2020

Unit: NTD thousand

Assets	Additional notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6 (1)	\$ 849,035	7	\$ 1,034,239	8
1110	Financial assets at fair value through profit and loss- Current	6 (2)	89,149	1	-	-
1136	Financial assets measured at the amortized cost-current	8	-	-	400	-
1150	Notes receivable-net	6(3)	389,240	3	324,175	3
1160	Notes Receivable-Related Parties- net	7	97,942	1	114,913	1
1170	Notes accounts, net	6(3)	1,537,048	12	1,671,811	14
1180	Account receivables-Related Parties- net	7	28,342	-	55,237	-
1200	Other receivables	9	35,408	-	85,266	1
1210	Other receivables - related parties	7	227,900	2	188,447	2
1220	Current income tax asset		4,871	-	-	-
130X	Inventory	6 (4)	2,266,107	18	2,402,224	19
1476	Other financial assets- current	8	7,908	-	-	-
1479	Other current assets- Other		34,095	-	50,639	-
11XX	<b>Total current assets</b>		<u>5,567,045</u>	<u>44</u>	<u>5,927,351</u>	<u>48</u>
<b>Non-Current assets</b>						
1517	The financial assets measured for the fair values through other comprehensive income- non-current	6 (5) and 7	1,240,965	10	741,685	6
1550	Investment under the equity method	6 (6) and 7	1,313,133	10	963,485	8
1600	Property, plant, and equipment	6(7) and 8	4,136,266	32	4,254,179	34
1755	Right-of-use assets	6 (8)	88,930	1	95,647	1
1760	Net amount of investment oriented real estate	6 (7)	58,830	-	-	-
1780	Intangible assets		15,936	-	27,734	-
1840	Deferred income tax assets	6 (25)	196,683	2	211,744	2
1900	Other non-current assets	6(9) and 9	169,088	1	135,089	1
15XX	<b>Total of Non-Current Assets</b>		<u>7,219,831</u>	<u>56</u>	<u>6,429,563</u>	<u>52</u>
1XXX	<b>Total assets</b>		<u>\$ 12,786,876</u>	<u>100</u>	<u>\$ 12,356,914</u>	<u>100</u>

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China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Consolidated Balance Sheet  
December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and equity	Additional notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Shot-term borrowings	6(10) and 8	\$ 864,664	7	\$ 1,143,283	9
2110	Short-term notes payable	6 (11)	231,967	2	210,000	2
2130	Contractual liability- current	6 (19)	43,619	-	72,091	-
2150	Payable notes		41,812	-	-	-
2170	Accounts payable	7	757,318	6	960,728	8
2200	Other payables	6 (12)	660,941	5	717,857	6
2230	Current Tax Liability		76,046	1	74,225	1
2280	Lease liabilities - current		14,919	-	13,626	-
2320	Current portion of long-term liabilities	6(13) and 8	21,000	-	21,000	-
2365	Refund liability – liquidity	6 (19)	72,205	1	73,512	1
2399	Other current liabilities- other		22,972	-	26,306	-
21XX	<b>Total current liabilities</b>		<u>2,807,463</u>	<u>22</u>	<u>3,312,628</u>	<u>27</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(13) and 8	1,844,000	14	2,046,000	17
2570	Deferred tax liabilities	6 (25)	171,657	1	137,826	1
2580	Lease liabilities – non-current		57,652	1	64,775	-
2600	Other non-current liabilities	6 (14)	117,634	1	168,826	1
25XX	<b>Total of non-current liabilities</b>		<u>2,190,943</u>	<u>17</u>	<u>2,417,427</u>	<u>19</u>
2XXX	<b>Total liabilities</b>		<u>4,998,406</u>	<u>39</u>	<u>5,730,055</u>	<u>46</u>
<b>Equity of the parent company</b>						
Capital stock						
3110	Common stock capital	6 (15)	2,980,811	23	2,980,811	24
Capital surplus						
3200	Capital surplus	6 (16)	646,593	6	646,000	6
Retained earnings						
3310	Legal reserve	6 (17)	610,012	5	535,449	4
3320	Special reserve		188,958	1	188,958	2
3350	Undistributed earnings		2,818,381	22	2,042,582	17
Other equity						
3400	Other equity	6 (18)	537,409	4	225,931	1
3500	Treasury stock	6 (15)	(28,054)	-	(28,054)	-
31XX	<b>Equity attributable to owners of the parent Company</b>		<u>7,754,110</u>	<u>61</u>	<u>6,591,677</u>	<u>54</u>
36XX	<b>Non-controlling interest</b>		<u>34,360</u>	<u>-</u>	<u>35,182</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>7,788,470</u>	<u>61</u>	<u>6,626,859</u>	<u>54</u>
Significant contingent liabilities and unrecognized contractual commitments						
Significant subsequent events						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 12,786,876</u>	<u>100</u>	<u>\$ 12,356,914</u>	<u>100</u>

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

Chairman: Chungwa Chemical Synthesis & Biotech Co., Ltd.  
Representative: Wang Hsieh I-Chen

Manager: Wu, Chih-Yung

Accounting Supervisor: Huang, Yi-Chun

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Consolidated Income Statement  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand  
(except EPS in NTD)

Item	Additional notes	2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	6(19) and 7	\$ 7,948,998	100	\$ 8,181,056	100
5000 Operating cost	6 (4)(23)				
	And 7	( 5,084,206)	( 64)	( 5,212,253)	( 64)
5950 Operating gross profit		<u>2,864,792</u>	<u>36</u>	<u>2,968,803</u>	<u>36</u>
Operating expenses	6 (23)				
6100 Marketing expenses		( 1,784,754)	( 22)	( 1,916,296)	( 23)
6200 Administrative expenses		( 277,342)	( 4)	( 218,188)	( 3)
6300 Research and development expenses		( 391,335)	( 5)	( 444,175)	( 5)
6450 Expected credit impairment gain	12 (2)	<u>12,528</u>	<u>-</u>	<u>31,088</u>	<u>-</u>
6000 Total operating expenses		( 2,440,903)	( 31)	( 2,547,571)	( 31)
6900 Operating profit		<u>423,889</u>	<u>5</u>	<u>421,232</u>	<u>5</u>
Non-operating revenues and expenses					
7100 Interest revenue	6(20) and 7	23,336	-	22,421	-
7010 Other income	6(21) and 7	116,555	1	93,456	1
7020 Other profits and losses	6 (22)	( 11,141)	-	8,571	-
7050 Financial costs	6 (24)	( 35,760)	-	( 42,825)	-
7060 Shareholding in the affiliated companies and joint ventures under the equity method	6 (6)	<u>142,361</u>	<u>2</u>	<u>154,785</u>	<u>2</u>
7000 Total non-operating revenues and expenses		<u>235,351</u>	<u>3</u>	<u>236,408</u>	<u>3</u>
7900 <b>Net profit before taxation</b>		659,240	8	657,640	8
7950 Incometaxexpenses	6 (25)	( 142,885)	( 2)	( 98,140)	( 1)
8200 <b>Net income</b>		<u>\$ 516,355</u>	<u>6</u>	<u>\$ 559,500</u>	<u>7</u>

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China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Consolidated Income Statement  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand  
(except EPS in NTD)

Item	Additional notes	2021		2020		
		Amount	%	Amount	%	
<b>Other comprehensive profit or loss (net)</b>						
<b>The items that are not re-classified as profit or loss</b>						
8311	Reevaluation of determined benefit plan	6 (14)	\$ 31,844	-	(\$ 4,467)	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6 (5)(18)	924,485	12	358,614	4
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		939	-	( 1,190)	-
8349	Incomes tax related to titles not subject to reclassification	6 (25)	( 6,369)	-	893	-
8310	Total amount of items not reclassified to profit or income		950,899	12	353,850	4
<b>Items that may be re-classified subsequently under profit or loss</b>						
8361	Exchange differences from the translation offinancial statements offoreign operations	6 (18)	( 9,479)	-	14,786	-
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.		( 572)	-	566	-
8399	Income tax related to items possibly be reclassified	6 (25)	1,896	-	( 2,957)	-
8360	Total amount of items probably reclassified to profit or loss subsequently		( 8,155)	-	12,395	-
8300	<b>Other comprehensive profit or loss (net)</b>		\$ 942,744	12	\$ 366,245	4
8500	<b>Current period other comprehensive income (Gross)</b>		\$ 1,459,099	18	\$ 925,745	11
Net income (loss) attributable to:						
8610	Owners of parent		\$ 517,508	6	\$ 557,365	7
8620	Non-controlling interest		( 1,153)	-	2,135	-
			\$ 516,355	6	\$ 559,500	7
Total comprehensive income attributable to:						
8710	Owners of parent		\$ 1,459,921	18	\$ 923,452	11
8720	Non-controlling interest		( 822)	-	2,293	-
			\$ 1,459,099	18	\$ 925,745	11
Earnings per share						
9750	Basic earnings per share	6 (26)	\$ 1.74		\$ 1.88	
9850	Diluted earnings per share		\$ 1.72		\$ 1.86	

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

Chairman: Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Representative: Wang Hsieh I-Chen

Manager: Wu, Chih-Yung

Accounting Supervisor: Huang, Yi-Chun

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Consolidated Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Equity of the parent company										Total	Non-controlling interest	Total equity	
	Capital surplus			Retained earnings			Other equity							
	Common stock	Issuance premium	Treasury stock	Changes in the ownership equity on subsidiary	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Treasury stock				
<b>2020</b>														
Balance at January 1	\$ 2,980,811	\$ 578,416	\$ 65,765	\$ 1,593	\$ 496,980	\$ 188,958	\$ 1,573,890	(\$ 97,944)	\$ 146,049	(\$ 28,054)	\$ 5,906,464	\$ 32,889	\$ 5,939,353	
Net income	-	-	-	-	-	-	557,365	-	-	-	557,365	2,135	559,500	
Current period other comprehensive income	-	-	-	-	-	-	(4,922)	12,395	358,614	-	366,087	158	366,245	
(Gross)	-	-	-	-	-	-	552,443	12,395	358,614	-	923,452	2,293	925,745	
The 2019 appropriation and distribution of earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	38,469	-	(38,469)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	(238,465)	-	-	-	(238,465)	-	(238,465)	
Cash dividends which Subsidiary obtained from the Parent company.	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in the ownership equity on subsidiary Equity instrument at fair value through other comprehensive income statement	-	-	475	(249)	-	-	-	-	-	-	475	-	475	
(Gross)	-	-	-	-	-	-	-	-	-	-	(249)	-	(249)	
comprehensive income statement	-	-	-	-	-	-	193,183	-	(193,183)	-	-	-	-	
Balance at December 31	\$ 2,980,811	\$ 578,416	\$ 66,240	\$ 1,344	\$ 535,449	\$ 188,958	\$ 2,042,582	(\$ 85,549)	\$ 311,480	(\$ 28,054)	\$ 6,591,677	\$ 35,182	\$ 6,626,859	
<b>2021</b>														
Balance at January 1	\$ 2,980,811	\$ 578,416	\$ 66,240	\$ 1,344	\$ 535,449	\$ 188,958	\$ 2,042,582	(\$ 85,549)	\$ 311,480	(\$ 28,054)	\$ 6,591,677	\$ 35,182	\$ 6,626,859	
Net income	-	-	-	-	-	-	517,508	(8,155)	924,485	-	517,508	(1,153)	516,355	
Current period other comprehensive income	-	-	-	-	-	-	(26,083)	8,155	924,485	-	942,413	331	942,744	
(Gross)	-	-	-	-	-	-	543,591	(8,155)	924,485	-	1,459,921	(822)	1,459,099	
The 2020 appropriation and distribution of earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	74,563	-	(74,563)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	(298,081)	-	-	-	(298,081)	-	(298,081)	
Cash dividends which Subsidiary obtained from the Parent company.	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity instrument at fair value through other comprehensive income statement	-	-	-	-	-	-	-	-	-	-	593	-	593	
Balance at December 31	\$ 2,980,811	\$ 578,416	\$ 66,833	\$ 1,344	\$ 610,012	\$ 188,958	\$ 2,818,381	(\$ 93,704)	\$ 631,113	(\$ 28,054)	\$ 7,754,110	\$ 34,360	\$ 7,788,470	

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

Chairman: Chungghwa Chemical Synthesis & Biotech Co., Ltd.  
Representative: Wang Hsieh I-Chen

Manager: Wu, Chih-Yung

Accounting Supervisor: Huang, Yi-Chun

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Consolidated Statements of Cash Flow  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	<u>Additional notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>Cash flow from operating activities</u>			
Current year net profit before taxation		\$ 659,240	\$ 657,640
Adjustments			
Profits and loss			
Depreciation expenses	6(7)(8) (23)	265,246	252,232
Amortization expenses	6 (23)	12,220	12,945
Expected credit impairment gain	12 (2)	( 12,528 )	( 31,088 )
Allowance for sales and discount		( 9,933 )	29,512
Interest expenses	6 (24)	35,760	42,825
Interest revenue	6 (20)	( 23,336 )	( 22,421 )
Dividend income	6 (5)(21)	( 5,291 )	( 8,160 )
Gain (loss) on financial assets and liabilities at fair value through profit and loss	6 (22)		
Shareholding in the affiliated companies and joint ventures under the equity method	6 (6)	( 2,244 )	( 113 )
Gain in disposal of real estate, plant buildings, equipment & facilities	6 (22)	( 142,361 )	( 154,785 )
Gain on disposal of investment accounted for using the equity method	6 (22)	( 309 )	( 4,777 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Acquisition of financial assets at fair value through profit or loss		( 86,905 )	-
Disposal of financial assets at fair value through profit or loss		-	65,174
Bills receivable (including related party and non-related party)		( 44,346 )	33,911
Accounts receivable (including related party and non-related party)		175,055	( 35,276 )
Other account receivable- (including related party and non-related party)		72,395	45,159
Inventory		132,699	( 214,484 )
Other current assets- Other		16,544	( 11,381 )
Net changes in liabilities relating to operating activities			
Contractual liability- liquidity		( 27,827 )	12,344
Payable notes		41,812	( 28,159 )
Accounts payable		( 199,400 )	84,611
Other payables		( 33,810 )	159,783
Refund liability - liquidity		( 1,307 )	4,234
Other current liabilities- other		( 3,979 )	( 912 )
Other non-current liabilities		( 55,625 )	( 17,424 )
Cash inflow from operating activities		761,770	870,901
Interest received		23,336	22,421
Interest payment		( 36,416 )	( 43,525 )
Income tax payment		( 130,468 )	( 65,301 )
Dividends received		77,669	112,575
Net cash inflow from operating activities		<u>695,891</u>	<u>897,071</u>

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Consolidated Statements of Cash Flow  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	<u>Additional notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>Cash flow from investing activities</u>			
Decrease (increase) of the financing amount receivable		(\$ 46,000)	\$ 17,500
Decrease (increase) in financial assets based on cost after amortization		400	( 400 )
Decrease (increase) in restricted certificate of deposit (listed under other current financial assets)		( 7,908 )	5,718
Acquisition of financial assets at fair value through other comprehensive profit or loss	6 (5)	( 477,158 )	( 248,964 )
Value of disposal of financial assets measured at FVTOCI	6 (5)	924,534	323,188
De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease)	6 (5)	9,000	-
Acquisition of investment under the equity method	6 (6)	( 279,528 )	-
Proceeds from disposal of investment accounted for using equity method	6 (6)	-	23,001
Purchase of property, plant, and equipment	6 (27)	( 208,356 )	( 261,587 )
Proceeds from disposal of property, plant and equipment		1,910	6,031
Purchase of intangible assets		-	( 10,296 )
Decrease (increase) in deposits paid		( 28,618 )	617
Increase of other non-current assets		( 9,148 )	( 594 )
Net cash outflow from investing activities		( 120,872 )	( 145,786 )
<u>Cash flow from financing activities</u>			
Decrease in Short-term borrowings	6 (28)	( 278,619 )	( 136,588 )
Increase of short-term notes payable	6 (28)	21,967	142,520
Lease principal repayment	6 (28)	( 15,010 )	( 11,577 )
Current borrowing amount of long-term loan	6 (28)	450,000	208,000
Current repaying amount of long-term loan	6 (28)	( 652,000 )	( 389,000 )
Increase (decrease) in deposits received	6 (28)	2,448	( 771 )
Cash dividend released	6 (17)	( 298,081 )	( 238,465 )
Net cash outflow from financing activities		( 769,295 )	( 425,881 )
Impact of changes in exchange rate on cash and cash equivalents		9,072	4,995
Increase (decrease) in cash and cash equivalents for the current period		( 185,204 )	330,399
Balance of cash and cash equivalents, beginning of period		1,034,239	703,840
Balance of cash and cash equivalent, end of period		\$ 849,035	\$ 1,034,239

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

Chairman: Chungwa Chemical Synthesis & Biotech Co., Ltd.  
 Representative: Wang Hsieh I-Chen  
 Manager: Wu, Chih-Yung

Accounting Supervisor: Huang, Yi-Chun

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Consolidated Notes to financial statements  
2021 and 2020

Unit: NTD thousand  
(Except where otherwise stated)

1. 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.

2. Financial reporting date and procedures

These consolidated financial statements were authorized by the Board of Directors on March 8, 2022.

3. Application of new and revised standards and interpretation

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

The new publication, amendments, and revision of the 2021 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

<u>New releases / amendments / revisions of the Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
Amendment to IFRS 4 “Temporary Exemption from Application of IFRS 9 Extension”	January 1, 2021
IFRS 9, International Accounting Standard (IAS) 39, IFRS 7, IFRS 4, and IFRS 16, phase 2 amendments to “Reforming Major Interest Rate Benchmarks”	January 1, 2021
Amendments to IFRS 16 - COVID-19-Related Rent Concessions after 30 June 2021	April 1, 2021 (Note)

Note: The Financial Supervisory Commission (FSC) allows the application to be advanced to 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.

(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 2022 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

<u>New releases / amendments / revisions of the Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
Amendment to IFRS 3 “Index to Conceptual Framework”	January 1, 2022
Amendment to IAS 16 “Property, plant and equipment: price before reaching the intended state of use”	January 1, 2022
Amendments to IAS 37 “Loss Contracts—The Cost of Performing Contracts”	January 1, 2022
Improvements to IFRS 2018-2020	January 1, 2022

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.

(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:

<u>New releases / amendments / revisions of the Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
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, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 - Application of IFRS 17 and IFRS 9 — Comparative Information	January 1, 2023
“Classification of Liabilities as Current or Non-Current” (Amendments to IAS 1)	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

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.

4. Summary of significant accounting policies

The principal accounting policies 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.

(1) 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”)

(2) 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
  - (2) Financial assets at fair value through other comprehensive income
  - (3) 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) 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:

Investing Company	Subsidiaries	Nature of the operation	Percentage of shareholdings (%)		Remarks
			December 31, 2021	December 31, 2020	
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	
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Manufacturer of cleaning products	73.96	73.96	
Chunghwa Holding Co., Ltd.	Timpc International Co., Ltd.	Professional investment company	100.00	100.00	
Timpc 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 Chung-hwa 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	
Suzhou Chung-hwa Chemical & pharmaceutical Industrial Co., Ltd.	Suzhou Zhung-Hwa Le Huo Jian Kang Co., Ltd.	E-commerce sales of health products	100.00	-	Note

Note: Established in January 2021.

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 over which the group has significant influence but not control: none

(4) Foreign-currency translations

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.

(5) 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.

(6) 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. Bank acceptance bills that meet the aforementioned definition and are held for the purpose of satisfying short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit and loss

1. For financial assets that are not at amortized cost or at fair value through other comprehensive income.
2. The Group adopts trade date accounting for financial assets at fair value through profit or loss which are in correspondence with trade practice.
3. It was stated at fair value at initial recognition with trading costs recognized as profit & loss items. It continues to state at fair value while any income or loss generated was recognized as profit & loss items.

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

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.

(9) 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.

(10) Impairment of Financial Assets

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.

(11) 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.

(12) 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.

(13) 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.

(14) 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 policies 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.

(15) 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 separate 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	6 years ~ 61 years
Machinery equipment	3 years ~ 22 years
Transport equipment	5 years ~ 16 years
Other equipment	1 years ~ 21 years

(16) Right-of-use assets/lease liabilities, from lessee's transaction

1. Right-of-use assets and lease liabilities were recognized on the day when the assets were made available for the Group. For short-term leases or leases of low-value assets, payments are recognized as an expense on a straight-line basis over the lease term
2. Lease liability is recognized, at the lease commencement, as the present value of the unpaid future payments, discounted at the Group's incremental borrowing interest rate, which covers:
  - (1) fixed payments less any lease incentives receivable;
  - (2) variable lease payments that depend on an index or a rateIt is subsequently measured on an amortized cost basis using an interest method with interest expense recognized. Modification of lease term or payments that was not part of the original lease contract triggers lease liability reassessment with corresponding adjustments to right-of-use assets
3. At the lease commencement date, right-of-use asset is recognized through costs with the following components:
  - (1) the amount equal to the lease liability at its initial assessment
  - (2) lease payments made at or before the commencement of the lease
  - (3) any initial direct costs incurred by the lessee; and
  - (4) an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the leaseAfter the commencement date, the lessee shall measure the right-of-use asset applying a cost model, and depreciate asset from the commencement date to the earlier of the end of the useful life or the end of the lease term. Any readjustments made to lease liability after it is reassessed; the corresponding adjustment will be made to right-of-use asset.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) De-recognition of financial liabilities

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

(22) 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.

(23) 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. 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.

(24) 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.

(25) Treasury stock

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

(26) 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.

(27) Recognition of revenue

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

Subsidiary-Chunghwa Senior Care Co., Ltd. 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.

(28) 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.

(29) 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.

5. 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:

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

1. Impairment assessment on account and note receivable

Upon reassessing the allowance, the Company is required to exercise its judgment to determine future recoverability of the account receivables. Factors affecting future recoverability of the account receivables include customer financial status, historical records, current economy conditions, etc. 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. Allowance review involves expectations of probable future events based on the then current conditions at the balance sheet date. The actual outcomes may differ from the estimates and result in significant changes

Please find Note 6(2) and 7(2) for the book amount of the accounts receivable and note receivable of the Group on December 31, 2021.

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, 2021.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 12,881	\$ 9,036
Check deposit and demand deposit	835,456	1,024,198
Cash equivalents- banker's acceptance bill	<u>698</u>	<u>1,005</u>
	<u>\$ 849,035</u>	<u>\$ 1,034,239</u>

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

(2) Financial assets at fair value through profit and loss

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificate	\$ 86,905	\$ -
Evaluation adjustment	<u>2,244</u>	<u>-</u>
	<u>\$ 89,149</u>	<u>\$ -</u>

1. The details of the financial assets measured at fair value through profit or loss recognized in profit or loss are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificate	<u>\$ 2,244</u>	<u>\$ 113</u>

2. No financial asset at fair value through profit or loss was pledged by the Group for loan guarantee.
3. Please refer to Note 12 (3) for credit risk exposed by financial asset at fair value through profit or loss

(3) Note receivable and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 391,189	\$ 325,903
Less: Allowance for losses	<u>(1,949)</u>	<u>(1,728)</u>
	<u>\$ 389,240</u>	<u>\$ 324,175</u>
Accounts receivable	\$ 1,627,187	\$ 1,776,981
Less: Allowance for sales and discount	<u>(69,638)</u>	<u>(79,571)</u>
Less: Allowance for losses	<u>(20,501)</u>	<u>(25,599)</u>
	<u>\$ 1,537,048</u>	<u>\$ 1,671,811</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not-overdue	\$ 1,593,954	\$ 391,189	\$ 1,721,767	\$ 325,903
Overdue within 1-90 days	20,946	-	42,031	-
Overdue within 91-180 days	4,561	-	5,749	-
Overdue exceeding 181 days	<u>7,726</u>	<u>-</u>	<u>7,434</u>	<u>-</u>
	<u>\$ 1,627,187</u>	<u>\$ 391,189</u>	<u>\$ 1,776,981</u>	<u>\$ 325,903</u>

The aforementioned aging analysis is based on the overdue days.

2. Account and note receivables as of December 31, 2021 and 2020 were from customer contracts. Account receivables (including note receivables) and the associated allowance made stood at

NT\$ 2,028,682 and NT\$ 55,113, respectively, on January 1, 2020.

3. 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, 2021 and 2020 are its book value.
4. The accounts receivable listed in the account of The Group does not possess any collateral.
5. Please find Note 12 (2) for the relevant explanation about credit risk.

(4) Inventory

		<u>December 31, 2021</u>	
	<u>Cost</u>	<u>Allowance for loss from price decline</u>	<u>Book value</u>
Raw materials	\$ 844,576	(\$ 10,946)	\$ 833,630
Material	125,663	( 2,045)	123,618
Work in process	254,383	( 1,157)	253,226
Finished products	710,254	( 18,373)	691,881
Merchandise inventory	<u>395,029</u>	<u>( 31,277)</u>	<u>363,752</u>
	<u>\$ 2,329,905</u>	<u>(\$ 63,798)</u>	<u>\$ 2,266,107</u>

		<u>December 31, 2020</u>	
	<u>Cost</u>	<u>Allowance for loss from price decline</u>	<u>Book value</u>
Raw materials	\$ 921,937	(\$ 10,300)	\$ 911,637
Material	131,063	( 1,878)	129,185
Work in process	286,626	( 4,872)	281,754
Finished products	616,021	( 12,094)	603,927
Merchandise inventory	<u>499,561</u>	<u>( 23,840)</u>	<u>475,721</u>
	<u>\$ 2,455,208</u>	<u>(\$ 52,984)</u>	<u>\$ 2,402,224</u>

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

	<u>2021</u>	<u>2020</u>
Cost of inventory sold	\$ 5,007,442	\$ 5,120,248
Labor service cost	62,964	47,440
Loss of price decline of inventory and obsolescence loss	<u>13,800</u>	<u>44,565</u>
	<u>\$ 5,084,206</u>	<u>\$ 5,212,253</u>

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

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Listed and emerging stocks	\$ 523,180	\$ 277,263
Non-listed shares	<u>72,550</u>	<u>138,820</u>
	595,730	416,083
Evaluation adjustment	<u>645,235</u>	<u>325,602</u>
	<u>\$ 1,240,965</u>	<u>\$ 741,685</u>

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, 2021 and 2020 are its book value.
2. In March 2021, capital reduction and refund of the Group's investment in financial assets measured at fair value through other comprehensive income amounted to NT\$9,000.
3. The Group sold investment securities with fair values of NT\$924,534 and NT\$323,188 in 2021 and 2020 respectively, and recognized as disposal gains of NT\$635,965 and NT\$193,183 respectively under retained earnings. The alternative minimum tax from related transactions was NT\$31,113 in 2021; there were no related transactions in 2020.
4. The Group purchased equity instruments for an investment amounts of NT\$477,158 and NT\$248,964 in 2021 and 2020, respectively.
5. The details of financial assets at fair value through other comprehensive income which recognized in income and comprehensive income are as follows:

<u>Item</u>	<u>2021</u>	<u>2020</u>
Equity measured at fair value through other comprehensive income		
Recognized in comprehensive income of changes in fair value.	\$ 924,485	\$ 358,614
The accumulated profits change to retained earnings due to de-recognition (post-tax profit or loss)	\$ 604,852	\$ 193,183
Recognized as dividend in income in profit.		
The party still in possession at the end of this term.	\$ 3,321	\$ 5,873
Delisted in the current period.	1,970	2,287
	<u>\$ 5,291</u>	<u>\$ 8,160</u>

(6) Investment under the equity method

<u>Name of affiliated enterprises</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	\$ 875,252	\$ 547,171
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	415,400	396,549
PHERMPEP CO., LTD. (PHERMPEP)	21,215	19,765
Wuxi Jirui Medical Technology Co., Ltd. (Wuxi Jirui)	1,266	-
	<u>\$ 1,313,133</u>	<u>\$ 963,485</u>

1. Basic information of significant associate of the Group is as follows:

<u>Company name</u>	<u>Major places of business</u>	<u>Ratio of Shareholding</u>		<u>Nature of relationship</u>	<u>Measuring method</u>
		<u>December 31, 2021</u>	<u>December 31, 2020</u>		
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Taiwan	27.82%	22.35%	Affiliate business	Equity method
SINO-JAPAN CHEMICAL CO., LTD	Taiwan	21.99%	21.99%	Affiliate business	Equity method
PHERMPEP CO., LTD.	Taiwan	44.85%	46.00%	Affiliate business	Equity method

2. Financial information of the Group's major associates is summarized as follows:

Balance Sheet

	<u>Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 1,342,252	\$ 986,712
Non-Current assets	3,032,440	2,157,555
Current liabilities	( 629,291)	( 395,235)
Non-current liabilities	( 851,317)	( 247,930)
Total net assets	<u>\$ 2,894,084</u>	<u>\$ 2,501,102</u>
Book value of the associate	<u>\$ 875,252</u>	<u>\$ 547,171</u>

SINO-JAPAN CHEMICAL., CO., LTD

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 2,153,788	\$ 1,900,948
Non-Current assets	799,782	825,140
Current liabilities	( 507,004)	( 418,209)
Non-current liabilities	( 227,902)	( 246,569)
Total net assets	<u>\$ 2,218,664</u>	<u>\$ 2,061,310</u>
Book value of the associate	<u>\$ 415,400</u>	<u>\$ 396,549</u>

PHERMPEP CO., LTD.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 45,309	\$ 39,365
Non-Current assets	17,661	17,317
Current liabilities	( 11,629)	( 9,436)
Non-current liabilities	-	( 1,345)
Total net assets	<u>\$ 51,341</u>	<u>\$ 45,901</u>
Book value of the associate	<u>\$ 21,215</u>	<u>\$ 19,765</u>

Comprehensive income statement

	<u>Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd.</u>	
	<u>2021</u>	<u>2020</u>
Income	\$ 1,896,625	\$ 1,515,144
Current year profit of continuing business units	\$ 400,778	\$ 534,567
Other comprehensive income (post-tax profit or loss)	<u>111,244</u>	<u>13,683</u>
Current period other comprehensive income (Gross)	<u>\$ 512,022</u>	<u>\$ 548,250</u>
Dividends received from affiliated subsidiaries	<u>\$ 28,868</u>	<u>\$ 13,865</u>

SINO-JAPAN CHEMICAL., CO., LTD

	<u>2021</u>	<u>2020</u>
Income	\$ 3,217,077	\$ 2,597,965
Current year profit of continuing business units	\$ 353,598	\$ 276,501
Other comprehensive income (post-tax profit or loss)	<u>1,649</u>	<u>(6,192)</u>
Current period other comprehensive income (Gross)	<u>\$ 355,247</u>	<u>\$ 270,309</u>
Dividends received from affiliated subsidiaries	<u>\$ 43,510</u>	<u>\$ 90,551</u>

PHERMPEP CO., LTD.

	<u>2021</u>	<u>2020</u>
Income	\$ 40,820	\$ 34,830
Current net losses from continuing operations	(\$ 14,139)	(\$ 25,511)
Other comprehensive income (post-tax profit or loss)	<u>\$ -</u>	<u>\$ -</u>
Current period other comprehensive income (Gross)	<u>(\$ 14,139)</u>	<u>(\$ 25,511)</u>

In 2021 and 2020, no dividend was received from Sinochem Health.

3. The share of the operating results of individual insignificant associates of the Group is summarized as follows:

	<u>2021</u>	<u>2020</u>
Net loss of current period	(\$ 7,156)	\$ -

4. The shares of profit and/or loss at equity method over the associates as follows:

<u>Name of affiliated enterprises</u>	<u>2021</u>	<u>2020</u>
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	\$ 89,426	\$ 110,774
SINO-JAPAN CHEMICAL., CO., LTD	61,999	58,609
PHERMPEP CO., LTD.	( 6,636)	( 11,460)
Warm-up	-	( 222)
Shanghai Chiapeng	-	( 2,916)
Wuxi Jirui	<u>( 2,428)</u>	<u>-</u>
	<u>\$ 142,361</u>	<u>\$ 154,785</u>

5. The Group sold its 30% equity in Shanghai Jiapeng for an amount of NT\$22,601 in July 2020, with a disposal profit of NT\$741 resulting.
6. In December 2020, the Group sold all of shares of Warm Time's shares at a price of NT\$400, with disposal loss of NT\$252.
7. The Group acquired Wuxi Jirui's shareholdings in February 2021 at NT\$3,691.
8. In 2021 and 2020, the Group obtained CCSB's shareholdings of NT\$267,557 and NT\$0 respectively from the open market.
9. Phermpep increased cash capital by NT\$20,000 in April 2021, and the Group increased its capital by NT\$8,280. Since the capital increase was not based on the shareholder equity ratio, the Group's shareholder equity ratio dropped to 44.85%.
10. The significant associate of the Group-CCSB is public offering and its fair values of December 31, 2021 and 2010 are, respectively, NT\$1,400,222 and NT\$1,065,860.

11. The company holds 27.82% equity of Chunghwa Chemical Synthesis Biotech Co., Ltd. (CCSB) and is the largest shareholder of CCSB. Considering the participation of other shareholders in the previous shareholders meeting of CCSB and the record of voting rights casted on major proposals, it indicates that the Group is incapable of leading relevant activities. Therefore, it has no control over CCSB, but a significant influence.
12. The Group holds 44.85% equity of PHERMPEP Co., Ltd. and is the largest shareholder of PHERMPEP. Considering that the remaining 55.15% equity of PHERMPEP is held by other investors, the voting rights of minority acting together exceeds the Group, which indicates that the Group is incapable of leading relevant activities. Therefore, it has no control over PHERMPEP, but a significant influence.

(7) Property, plant, and equipment

	<u>2021</u>						
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Transport equipment</u>	<u>Uncompleted construction and equipment pending inspection</u>	<u>Others</u>	<u>Total</u>
January 1							
Cost	\$1,021,812	\$ 3,506,873	\$ 1,293,602	\$ 45,945	\$ 115,061	\$ 956,396	\$ 6,939,689
Accumulated depreciation	-	( 1,353,272)	( 670,101)	( 29,709)	-	( 632,428)	( 2,685,510)
	<u>\$1,021,812</u>	<u>\$ 2,153,601</u>	<u>\$ 623,501</u>	<u>\$ 16,236</u>	<u>\$ 115,061</u>	<u>\$ 323,968</u>	<u>\$ 4,254,179</u>
January 1	\$1,021,812	\$ 2,153,601	\$ 623,501	\$ 16,236	\$ 115,061	\$ 323,968	\$ 4,254,179
Additions	-	4,432	43,603	975	94,422	50,943	194,375
Transfer	-	37,466	20,110	451	( 99,178)	41,151	-
Reclassification	-	( 60,656)	-	-	-	-	( 60,656)
Disposition	-	-	-	( 1,491)	-	( 110)	( 1,601)
Depreciation expenses	-	( 90,710)	( 83,833)	( 4,609)	-	( 68,478)	( 247,630)
Netexchange differences	-	( 1,132)	( 848)	( 50)	( 52)	( 319)	( 2,401)
December 31	<u>\$1,021,812</u>	<u>\$ 2,043,001</u>	<u>\$ 602,533</u>	<u>\$ 11,512</u>	<u>\$ 110,253</u>	<u>\$ 347,155</u>	<u>\$ 4,136,266</u>
December 31							
Cost	\$1,021,812	\$ 3,477,225	\$ 1,337,455	\$ 44,806	\$ 110,253	\$ 1,039,880	\$ 7,031,431
Accumulated depreciation	-	( 1,434,224)	( 734,922)	( 33,294)	-	( 692,725)	( 2,895,165)
	<u>\$1,021,812</u>	<u>\$ 2,043,001</u>	<u>\$ 602,533</u>	<u>\$ 11,512</u>	<u>\$ 110,253</u>	<u>\$ 347,155</u>	<u>\$ 4,136,266</u>

2020

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Transport equipment</u>	<u>Uncompleted construction and equipment pending inspection</u>	<u>Others</u>	<u>Total</u>
January 1	\$1,021,812	\$ 3,338,647	\$ 1,252,423	\$ 55,482	\$ 228,519	\$ 819,738	\$ 6,716,621
Cost	<u>\$1,021,812</u>	<u>\$ 3,338,647</u>	<u>\$ 1,252,423</u>	<u>\$ 55,482</u>	<u>\$ 228,519</u>	<u>\$ 819,738</u>	<u>\$ 6,716,621</u>
Accumulated depreciation	-	( 1,272,092)	( 590,288)	( 37,522)	-	( 581,568)	( 2,481,470)
	<u>\$1,021,812</u>	<u>\$ 2,066,555</u>	<u>\$ 662,135</u>	<u>\$ 17,960</u>	<u>\$ 228,519</u>	<u>\$ 238,170</u>	<u>\$ 4,235,151</u>
January 1	\$1,021,812	\$ 2,066,555	\$ 662,135	\$ 17,960	\$ 228,519	\$ 238,170	\$ 4,235,151
Additions	-	46,161	21,591	2,668	119,292	66,684	256,396
Transfer	-	130,935	21,617	1,393	( 232,791)	78,846	-
Disposition	-	( 465)	-	( 765)	-	( 24)	( 1,254)
Depreciation expenses	-	( 91,379)	( 82,889)	( 5,050)	-	( 60,396)	( 239,714)
Net exchange differences	-	1,794	1,047	30	41	688	3,600
December 31	<u>\$1,021,812</u>	<u>\$ 2,153,601</u>	<u>\$ 623,501</u>	<u>\$ 16,236</u>	<u>\$ 115,061</u>	<u>\$ 323,968</u>	<u>\$ 4,254,179</u>

December 31	\$1,021,812	\$ 3,506,873	\$ 1,293,602	\$ 45,945	\$ 115,061	\$ 956,396	\$ 6,939,689
Cost	<u>\$1,021,812</u>	<u>\$ 3,506,873</u>	<u>\$ 1,293,602</u>	<u>\$ 45,945</u>	<u>\$ 115,061</u>	<u>\$ 956,396</u>	<u>\$ 6,939,689</u>
Accumulated depreciation	-	( 1,353,272)	( 670,101)	( 29,709)	-	( 632,428)	( 2,685,510)
	<u>\$1,021,812</u>	<u>\$ 2,153,601</u>	<u>\$ 623,501</u>	<u>\$ 16,236</u>	<u>\$ 115,061</u>	<u>\$ 323,968</u>	<u>\$ 4,254,179</u>

- Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.
- In February 2021, the Group rented out vacant houses and buildings for NT\$60,656, which were reclassified as investment properties.
- The Group 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, 2024 with the rental of NT\$259 to NT\$314 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, 2021, the balance amount that hasn't been reduced is NT\$31,391.

(8) Lease transaction - lessee

1. Underlying assets leased by the Group include land lots and business vehicles with lease term ranged one to ten years. Lease agreements were negotiated individually with various terms and conditions. There are specific no restrictions specified, except that the leased assets cannot be used as loan guarantee.
2. Carrying value and recognized amortization for right-of-use assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 44,238	\$ 48,169
Buildings	37,491	43,345
Delivery facilities (business vehicles)	7,201	4,133
	<u>\$ 88,930</u>	<u>\$ 95,647</u>

	<u>2021</u>	<u>2020</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 3,785	\$ 3,780
Buildings	9,244	8,471
Delivery facilities (business vehicles)	2,724	267
	<u>\$ 15,753</u>	<u>\$ 12,518</u>

3. The Group's right-of-use assets in 2021 and 2020 increased by NT\$9,180 and NT\$13,386 respectively.
4. Profit and loss items relating to lease contracts:

	<u>2021</u>	<u>2020</u>
<u>Profit and loss items with current impacts</u>		
Interest expense on the lease liability	\$ 974	\$ 974
Low-value leases expense	2,238	2,822
Short-term lease expense	21,198	11,013

5. The Group's total lease cash outflows were NT\$ 39,420 and NT\$ 26,386 in 2021 and 2020, respectively.
6. Options to extend lease
  - (1) Options to extend lease term are included in land leases for office buildings, which have helped increase operation agility for the Group.
  - (2) Upon determining lease term, the Group has factored in all facts and condition that would produce future economy incentives. Lease term will be reassessed in the case of significant events when the decision of whether to exercise the extension option or not exercise the termination option is affected.
  - (3) Given the assessment of exercising an option to extend the lease, the right-of-use assets and lease liabilities increased by NT\$23,470 in both December 31, 2021 and 2020.

7. Suzhou Chung-Hua Chemical & Pharmaceutical has received a subsidy of NT\$ 110,460 (or CNY\$22,950 thousand) from the local government industrial funding, which was to reduce the cost of the rights to use land (recorded as long-term prepaid rent). The subsidy was then transferred to “right-of-use asset” in 2019 and will be recognized as depreciation expenses under profit and loss throughout the lease term.

(9) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayments forequipment	\$ 27,202	\$ 15,560
Refundable deposits	77,219	49,428
Long-term pre-paid payment	36,856	36,855
Other non-current assets- Other	58,558	63,993
Less: accumulated impairment	( 30,747)	( 30,747)
	<u>\$ 169,088</u>	<u>\$ 135,089</u>

Please find Note 9(2) for the explanation about the long-term prepaid payment and the accumulated impairment loss.

(10) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial institution loan		
Secured loans	\$ 560,000	\$ 591,000
Credit loan	249,000	385,000
Material procurement loan	43,604	155,329
Non-financial institution loan	<u>12,060</u>	<u>11,954</u>
	<u>\$ 864,664</u>	<u>\$ 1,143,283</u>
Interest rate collars	0.845%~1.15%	0.845%~1.20%

By December 31, 2021 and 2020, besides the short-term loan amount as stated in Note 8, The Group has issued cashier's checks, respectively, with NT\$490,000 and NT\$510,000 as collateral.

(11) Short-term notes payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial papers	\$ 232,000	\$ 210,000
Less: Discount of short-term notes and bills payable	( 33)	-
	<u>\$ 231,967</u>	<u>\$ 210,000</u>
Interest rate collars	1.00%~1.27%	1.028%~1.27%

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, 2021 and 2020, the cashier's checks have been issued, respectively, with NT\$280,000 and NT\$330,000 as collateral for short-term bill receivable.

(12) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary and bonus payables	\$ 270,836	\$ 299,141
Remuneration to employees and directors payable	61,000	61,000
Accrued expenses	155,039	141,946
Commission payable	115,355	163,490
Construction equipment amount payable	28,603	30,942
Other payables	30,108	21,338
	<u>\$ 660,941</u>	<u>\$ 717,857</u>

(13) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial institution loan		
Secured loans	\$ 1,099,000	\$ 807,000
Credit loan	766,000	1,260,000
	<u>1,865,000</u>	<u>2,067,000</u>
Less: long-term borrowing due within 12 months	( 21,000)	( 21,000)
	<u>\$ 1,844,000</u>	<u>\$ 2,046,000</u>
Interest rate collars	1.1%~1.4%	1.05%~1.645%

1. Repayment period for credit loans and secured loans from 2021 to 2024.

2. The detail for the unused loan amount of The Group is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating annual rate		
Maturing in one year or less	\$ 2,367,040	\$ 2,262,480
Mature beyond one year	543,000	312,000
	<u>\$ 2,910,040</u>	<u>\$ 2,574,480</u>

By December 31, 2021 and 2020, the cashier's checks have been issued, respectively, with NT\$1,410,000 and NT\$1,650,000 as collateral for the long-term loan amounts as stated.

3. Please refer to Note 8 for description of collateral.

(14) 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:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Present value of the defined benefit obligations	(\$ 468,105)	(\$ 506,411)
The fair value of plan assets	<u>383,004</u>	<u>365,685</u>
Net defined benefit liability (listing as non-liquidity liability)	<u>(\$ 85,101)</u>	<u>(\$ 140,726)</u>

(3) The changes in net defined benefit liabilities are as follows:

	<u>Present value of the</u> <u>defined benefit</u> <u>obligations</u>	<u>The fair value of plan</u> <u>assets</u>	<u>Net determined benefit</u> <u>liability</u>
2021			
Balance at January 1	(\$ 506,411)	\$ 365,685	(\$ 140,726)
Current service cost	( 3,702)	-	( 3,702)
Interest expenses (income)	<u>( 1,489)</u>	<u>1,080</u>	<u>( 409)</u>
	<u>( 511,602)</u>	<u>366,765</u>	<u>( 144,837)</u>
Revaluation amount:			
Assumption of change in Influence value for demography.	702	-	702
The effect of changes in financial assumptions	14,219	-	14,219
Experience adjustments	<u>11,383</u>	<u>5,540</u>	<u>16,923</u>
	<u>26,304</u>	<u>5,540</u>	<u>31,844</u>
The appropriation of pension fund	-	27,892	27,892
Pension payments	<u>17,193</u>	<u>( 17,193)</u>	<u>-</u>
Balance at December 31	<u>(\$ 468,105)</u>	<u>\$ 383,004</u>	<u>(\$ 85,101)</u>

	<u>Present value of the</u> <u>defined benefit</u> <u>obligations</u>	<u>The fair value of plan</u> <u>assets</u>	<u>Net determined benefit</u> <u>liability</u>
2020			
Balance at January 1	(\$ 504,477)	\$ 347,127	(\$ 157,350)
Current service cost	( 3,954)	-	( 3,954)
Interest expenses (income)	<u>( 3,241)</u>	<u>2,231</u>	<u>( 1,010)</u>
	<u>( 511,672)</u>	<u>349,358</u>	<u>( 162,314)</u>
Revaluation amount:			
Assumption of change in Influence value for demography.	43	-	43
The effect of changes in financial assumptions	( 11,355)	-	( 11,355)
Experience adjustments	<u>( 5,181)</u>	<u>12,026</u>	<u>6,845</u>
	<u>( 16,493)</u>	<u>12,026</u>	<u>( 4,467)</u>
The appropriation of pension fund	-	26,055	26,055
Pension payments	<u>21,754</u>	<u>( 21,754)</u>	<u>-</u>

- Balance at December 31 (\$ 506,411)      \$ 365,685      (\$ 140,726)
- (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, 2021 and 2020.
- (5) Assumptions for the actuation of pension funds are summarized as follows:

	<u>2021</u>	<u>2020</u>
Discounted rate	<u>0.46%~0.64%</u>	<u>0.22%~0.30%</u>
Future salary increases rate	<u>1.00%</u>	<u>1.00%</u>

Future mortality assumptions are based on the sixth Taiwan Standard Ordinary Experience Life Table.

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	<u>Discounted rate</u>		<u>Future salary increases rate</u>	
	<u>Increase by</u> <u>0.5%</u>	<u>Decrease by</u> <u>0.5%</u>	<u>Increase by</u> <u>0.5%</u>	<u>Decrease by</u> <u>0.5%</u>
December 31, 2021				
The impact on the present value of the defined benefit obligations	<u>(\$ 5,193)</u>	<u>\$21,080</u>	<u>\$20,882</u>	<u>(\$ 5,199)</u>
December 31, 2020				
The impact on the present value of the defined benefit obligations	<u>(\$13,558)</u>	<u>\$26,614</u>	<u>\$26,285</u>	<u>(\$13,542)</u>

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\$27,892 to the pension plan in 2022.
- (7) As of December 31, 2021, the weighted average duration of the pension plan was for 6 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 are 16% for the years 2021 and 2020. 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 2021 and 2020, the net pension cost recorded by the company according to the above mentioned pension plans are NT\$76,371 and NT\$51,077 respectively.

(15) Capital stock

1. As of December 31, 2021, the Company's authorized capital was NT\$5,000,000, consisting of 298,081 thousand shares and the Company's paid-up capital was NT\$2,980,811 with a par value of NT\$10 per share.
2. The number initial and ending outstanding shares of The Company in 2021 and 2020 are 298,081,000 shares.
3. Tairung Development Co., Ltd. possessed 828,000 shares of the Company by December 31, 2021 and 2020 with book value both at NT\$33.89 and the fair value of each share are, respectively, NT\$22.65 and NT\$23.60.
4. The shares possessed by the associate of the Company by December 31, 2021 and 2020 are, respectively, 42,053,000 and 25,294,000 shares.

(16) 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.

(17) 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 27, 2021 and May 27, 2020, the disposition of earnings of The Company for 2021 and 2020 are as follows.

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Dividends per share (\$)</u>	<u>Amount</u>	<u>Dividends per share (\$)</u>
Legal reserve	\$ 74,563	-	\$ 38,469	-
Cash dividends	<u>298,081</u>	1.0	<u>238,465</u>	0.8
	<u>\$ 372,644</u>		<u>\$ 276,934</u>	

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 18, 2022 to appropriate the 2021 earnings as follows:

	<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (\$)</u>
Legal reserve	\$ 114,844	-
Cash dividends	<u>268,273</u>	0.9
	<u>\$ 383,117</u>	

The distribution status of the earnings can be inquired on “Market observation post system” of Taiwan Stock Exchange Corporation.

(18) Other equity

	<u>2021</u>		<u>Total</u>
	<u>Unrealized loss of profit valuation</u>	<u>Foreign-currency translations</u>	
January 1	\$ 311,480	(\$ 85,549)	\$ 225,931
Evaluation adjustment:			
- Group	924,485	-	924,485
- Valuation adjustment changes to (retained earnings)	604,852)	- (	604,852)
Foreign currency translation differences:			
- Group	-	( 7,583)	( 7,583)
- Affiliated enterprises	-	( 572)	( 572)
December 31	<u>\$ 631,113</u>	<u>(\$ 93,704)</u>	<u>\$ 537,409</u>

	<u>2020</u>		
	<u>Unrealized loss of</u>	<u>Foreign-currency</u>	<u>Total</u>
	<u>profit valuation</u>	<u>translations</u>	
January 1	\$ 146,049	(\$ 97,944)	\$ 48,105
Evaluation adjustment:			
- Group	358,614	-	358,614
- Valuation adjustment changes (to retained earnings)	( 193,183)	-	( 193,183)
Foreign currency translation differences:			
- Group	-	11,829	11,829
- Affiliated enterprises	-	566	566
December 31	<u>\$ 311,480</u>	<u>(\$ 85,549)</u>	<u>\$ 225,931</u>

(19) Operating revenue

	<u>2021</u>	<u>2020</u>
Revenue from sales contract	\$ 7,843,727	\$ 8,085,410
Revenue from labor service contract	<u>105,271</u>	<u>95,646</u>
	<u>\$ 7,948,998</u>	<u>\$ 8,181,056</u>

1. Subdivision of the revenue from contracts with customers

The Group generates revenue by transferring products and labor services to customers either at a point in time or over time. Revenue details are listed as follows:

	<u>Taiwan region</u>	<u>China and other regions</u>	<u>Total</u>
<u>2021</u>			
Revenue from sales contract	\$ 5,234,636	\$ 2,609,091	\$ 7,843,727
Revenue from labor service contract	<u>102,050</u>	<u>3,221</u>	<u>105,271</u>
	<u>\$ 5,336,686</u>	<u>\$ 2,612,312</u>	<u>\$ 7,948,998</u>

	<u>Taiwan region</u>	<u>China and other regions</u>	<u>Total</u>
<u>2020</u>			
Revenue from sales contract	\$ 5,484,267	\$ 2,601,143	\$ 8,085,410
Revenue from labor service contract	<u>89,320</u>	<u>6,326</u>	<u>95,646</u>
	<u>\$ 5,573,587</u>	<u>\$ 2,607,469</u>	<u>\$ 8,181,056</u>

2. Contractual liability

The contractual liability relating to the contract with a customer which The Group recognizes is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contractual liability- Sales contract of medicine	<u>\$ 43,619</u>	<u>\$ 72,091</u>

3. Current income recognized from beginning lease liability in the year of 2021 and 2020 were NT\$ 72,091 and NT\$ 60,631, respectively.

4. The refund liability which The Group recognized for some goods with right of return is as follows:

<u>December 31, 2021</u>	<u>December 31, 2020</u>
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Refund liability- estimation of sales return \$ 72,205 \$ 73,512

(20) Interest revenue

	<u>2021</u>	<u>2020</u>
Interest from bank deposits	\$ 19,173	\$ 16,959
Other interest incomes	<u>4,163</u>	<u>5,462</u>
	<u>\$ 23,336</u>	<u>\$ 22,421</u>

(21) Other income

	<u>2021</u>	<u>2020</u>
Dividend income	\$ 5,291	\$ 8,160
Other Revenue- other	<u>111,264</u>	<u>85,296</u>
	<u>\$ 116,555</u>	<u>\$ 93,456</u>

In August 2020, the subsidiary Suzhou Chung-Hwa signed a transfer agreement with Chongqing Hemony Pharmaceutical Co., Ltd. concerning the licensing rights of products that have already hit store shelves, with a milestone payment of RMB 50,000,000. The subsidiary Suzhou Chung-Hwa has received first stage milestone payment of NT\$20,434 (RMB 5,000,000) in September 2020, the second stage milestone payment of NT\$21,590 (RMB 5,000,000) in October 2020, and the third stage milestone payment of NT\$21,770 (RMB5,000,000) in 2021. Since the aforementioned milestone payments are non-refundable, and Suzhou Chung-Hwa has already transferred relevant rights, the above three payments have been recognized as other income.

(22) Other profits and losses

	<u>2021</u>	<u>2020</u>
Gain in disposal of real estate, plant buildings, equipment & facilities	\$ 309	\$ 4,777
Gain on disposal of investments	-	489
Foreign exchange gains (loss)	( 7,293)	3,498
Gain in financial assets at fair value through profit and loss	2,244	113
Other losses	<u>( 6,401)</u>	<u>( 306)</u>
	<u>(\$ 11,141)</u>	<u>\$ 8,571</u>

(23) Employees' welfare and depreciation, amortization expenses

Functionality	2021		
	Allocated as operating cost	Employee expenses	Total
Characteristics			
Employee benefits expenses			
Salaries and wages	\$ 522,354	\$ 931,443	\$ 1,453,797
Labor insurance and national health insurance	50,196	73,930	124,126
Pension expenses	29,337	51,145	80,482
Other employee benefits expenses	40,423	51,122	91,545
Depreciation expenses	181,169	84,077	265,246

Amortization expenses	2,668	9,552	12,220
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Functionality Characteristics	2020		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	\$ 549,492	\$ 892,756	\$ 1,442,248
Labor insurance and national health insurance	42,935	65,149	108,084
Pension expenses	17,098	38,943	56,041
Other employee benefits expenses	37,292	48,583	85,875
Depreciation expenses	174,365	77,867	252,232
Amortization expenses	3,124	9,821	12,945

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. (1) In 2021 and 2020, the employee compensation was NT\$55,000, while the remuneration for directors was NT\$6,000, which were recognized as salary expenses.  
 (2) The estimated recognition of 2021 is based on the profitability of the year, of which 7.95% for employee bonus and 0.87% for the bonus of the members of the board.  
 (3) The remuneration to employees and remuneration to directors for an amount of NT\$55,000 and \$6,000 in 2021 and 2020 resolved by the Board of Directors was same as the amount reported in the 2021 and 2020 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.

(24) Financial costs

	<u>2021</u>	<u>2020</u>
Interest expenses:		
Bank loan	\$ 34,665	\$ 41,740
Non-financial institution loan	121	111
Other Interest expenses	974	974
	<u>\$ 35,760</u>	<u>\$ 42,825</u>

(25) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Current income tax	\$ 83,440	\$ 115,436
Additional levy on undistributed earnings	17,037	-
Overestimated income tax in prior periods	( 1,593)	( 3,273)
Total Current income tax	<u>98,884</u>	<u>112,163</u>
Deferred income tax:		
Origin and reversal of temporary differences	44,001	( 14,023)
Total deferred income tax	<u>44,001</u>	<u>( 14,023)</u>
Income tax expenses	<u>\$ 142,885</u>	<u>\$ 98,140</u>

(2) Income tax amounts relating to other comprehensive profit and loss:

	<u>2021</u>	<u>2020</u>
Exchange differences in overseas operating institutions	\$ 1,896	(\$ 2,957)
Defined benefit obligation revaluation amount and volume	( 6,369)	893
	<u>(\$ 4,473)</u>	<u>(\$ 2,064)</u>

(3) Debit/credit of income tax recognized directly in equity:

	<u>2021</u>	<u>2020</u>
The effect of disposal of financial assets measured at fair value through other comprehensive income on alternative minimum tax	\$ 31,113	\$ -

2. Relationship between income tax expense and accounting profit:

	<u>2021</u>	<u>2020</u>
Income tax derived by applying the statutory tax rate to pre-tax net profit	\$ 154,518	\$ 150,572
Tax-free income by Income Tax Law	( 23,691)	( 33,934)
The unrealized income according to the tax act.	( 5,071)	( 7,708)
Excluded expenses by Income Tax Law	7,054	5,470
The unrecognized deferred income tax assets with temporary difference.	5,108	( 225)
The realized evaluation change of deferred income tax assets	( 509)	( 2,145)
Additional levy on undistributed earnings	17,037	-
Income tax effect of investment credit	( 10,153)	( 10,800)
The influence value of the temporary difference in current tax rate and unrecognized	185	183
Overestimated income tax in prior periods	( 1,593)	( 3,273)
Income tax expenses	<u>\$ 142,885</u>	<u>\$ 98,140</u>

3. Deferred income tax assets or liabilities arising from temporary differences and tax loss:

	<u>January 1</u>	<u>Recognized in the profit or loss</u>	<u>2021 Recognized in the other comprehen sive profit of loss</u>	<u>Net exchange differences</u>	<u>December 31</u>
Timing difference:					
- Deferred income tax assets:					
Inventory valuation and obsolescence losses	\$ 10,316	\$ 2,268	\$ -	(\$ 21)	\$ 12,563
Gross profit influence of sales discounts and allowances	16,031	( 1,987)	-	-	14,044
Gross profit influence of sales return	4,940	598	-	-	5,538
Transfinite number of allowance for doubtful accounts loss	14,224	( 2,462)	-	( 8)	11,754
Unrealized gross profit	26,458	297	-	-	26,755
Unrealized expense	37,696	( 7,166)	-	( 204)	30,326
Net determined benefit liability	15,513	( 2,569)	-	-	12,944
Investment loss of equity method	19,191	604	-	-	19,795
Impairment loss	6,165	( 26)	-	-	6,139
Depreciation on class of real property, plant and facility.	3,256	615	-	( 25)	3,846
Government grant income	19,414	( 483)	-	( 160)	18,771
Defined benefit obligation revaluation amount and volume	24,508	-	( 6,369)	-	18,139
Translation adjustment of the foreign operation	11,658	-	1,896	-	13,554
Others	2,374	141	-	-	2,515
Subtotal	<u>\$ 211,744</u>	<u>(\$ 10,170)</u>	<u>(\$ 4,473)</u>	<u>(\$ 418)</u>	<u>\$ 196,683</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	(\$ 2,101)	\$ 782	\$ -	\$ -	(\$ 1,319)
Income of investment under the equity method	( 66,104)	( 32,517)	-	-	( 98,621)
Revaluation increment of land	( 65,411)	-	-	-	( 65,411)
Net determined benefit liability	<u>( 4,210)</u>	<u>( 2,096)</u>	<u>-</u>	<u>-</u>	<u>( 6,306)</u>
Subtotal	<u>(\$ 137,826)</u>	<u>(\$ 33,831)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 171,657)</u>
Total	<u>\$ 73,918</u>	<u>(\$ 44,001)</u>	<u>(\$ 4,473)</u>	<u>(\$ 418)</u>	<u>\$ 25,026</u>

	<u>January 1</u>	<u>Recognized in the profit or loss</u>	<u>2020 Recognized in the other comprehen sive profit of loss</u>	<u>Netexchange differences</u>	<u>December 31</u>
Timing difference:					
- Deferred income tax assets:					
Inventory valuation and obsolescence losses	\$ 5,364	\$ 4,794	\$ -	\$ 158	\$ 10,316
Gross profit influence of sales discounts and allowances	10,129	5,902	-	-	16,031
Gross profit influence of sales return	4,950	( 10)	-	-	4,940
Transfinite number of allowance for doubtful accounts loss	20,108	( 5,968)	-	84	14,224
Unrealized gross profit	18,705	7,753	-	-	26,458
Unrealized expense	24,365	12,861	-	470	37,696
Net determined benefit liability	18,198	( 2,685)	-	-	15,513
Investment loss of equity method	18,559	632	-	-	19,191
Impairment loss	6,148	17	-	-	6,165
Depreciation on class of real property, plant and facility.	1,140	2,044	-	72	3,256
Government grant income	19,928	( 527)	-	13	19,414
Defined benefit obligation revaluation amount and volume	23,615	-	893	-	24,508
Translation adjustment of the foreign operation	14,615	-	( 2,957)	-	11,658
Others	2,351	23	-	-	2,374
Tax loss	1,887	( 1,952)	-	65	-
Subtotal	<u>\$ 190,062</u>	<u>\$ 22,884</u>	<u>(\$ 2,064)</u>	<u>\$ 862</u>	<u>\$ 211,744</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	(\$ 502)	(\$ 1,599)	\$ -	\$ -	(\$ 2,101)
Income of investment under the equity method	( 59,825)	( 6,279)	-	-	( 66,104)
Revaluation increment of land	( 65,411)	-	-	-	( 65,411)
Net determined benefit liability	( 3,227)	( 983)	-	-	( 4,210)
Subtotal	<u>(\$ 128,965)</u>	<u>(\$ 8,861)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 137,826)</u>
Total	<u>\$ 61,097</u>	<u>\$ 14,023</u>	<u>(\$ 2,064)</u>	<u>\$ 862</u>	<u>\$ 73,918</u>

4. The relevant amounts of the validity period for the unused tax loss and unrecognized deferred income tax assets are as follows:

<u>December 31, 2021</u>				
<u>Occurrence</u> <u>year</u>	<u>Declared amount</u> <u>/ verified amount</u>	<u>Non-deducted</u> <u>amount</u>	<u>Unrecognized</u> <u>deferred income tax</u> <u>assets</u>	<u>Final credit</u> <u>year</u>
2012	Verified amount	\$ 26,978	\$ 26,978	2022
2013	Verified amount	10,579	10,579	2023
2014	Verified amount	16,746	16,746	2024
2015	Verified amount	42,789	42,789	2025
2016	Verified amount	14,030	14,030	2026
2017	Verified amount	11,604	11,604	2027
2018	Verified amount	9,756	9,756	2028
2021	Estimated figure	<u>1,910</u>	<u>1,910</u>	2031
		<u>\$ 134,392</u>	<u>\$ 134,392</u>	

<u>December 31, 2020</u>				
<u>Occurrence</u> <u>year</u>	<u>Declared amount</u> <u>/ verified amount</u>	<u>Non-deducted</u> <u>amount</u>	<u>Unrecognized</u> <u>deferred income tax</u> <u>assets</u>	<u>Final credit</u> <u>year</u>
2011	Verified amount	\$ 32,377	\$ 32,377	2021
2012	Verified amount	26,978	26,978	2022
2013	Verified amount	10,579	10,579	2023
2014	Verified amount	16,746	16,746	2024
2015	Verified amount	42,789	42,789	2025
2016	Verified amount	14,030	14,030	2026
2017	Verified amount	11,604	11,604	2027
2018	Verified amount	<u>9,756</u>	<u>9,756</u>	2028
		<u>\$ 164,859</u>	<u>\$ 164,859</u>	

5. Deductible temporary differences not recognized as deferred tax assets:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ 23,580</u>	<u>\$ 18,473</u>

6. The domestic business income tax of the Group had been audited by the tax collection agency up to the year of 2019.

(26) Earnings per share

		<u>2021</u>	Earnings per share
	<u>After-tax amount</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>(NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 517,508	298,081	\$ 1.74
Diluted earnings per share			
Net income attributable to the parent company's common stock shareholders	\$ 517,508	298,081	
The impact of potential diluting common stock: remuneration to employees	-	2,845	
Net income attributable to the parent company and impact of potential common stock	<u>\$ 517,508</u>	<u>300,926</u>	<u>\$ 1.72</u>

		<u>2020</u>	Earnings per share
	<u>After-tax amount</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>(NT\$)</u>
<u>Basic and diluted earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 557,365	297,253	\$ 1.88
Diluted earnings per share			
Net income attributable to the parent company's common stock shareholders	\$ 557,365	297,253	
The impact of potential diluting common stock: remuneration to employees	-	2,596	
Net income attributable to the parent company and impact of potential common stock	<u>\$ 557,365</u>	<u>299,849</u>	<u>\$ 1.86</u>

(27) Supplementary information about the cash flows

Investing activities partially funded with cash:

	<u>2021</u>	<u>2020</u>
Purchase of property, plant, and equipment	\$ 194,375	\$ 256,396
Less: Initial prepayments for business facilities	( 15,560)	( 21,953)
Add: Ending prepayment for business facilities	27,202	15,560
Add: Construction and equipment payable at the beginning of the period	30,942	42,526
Less: Construction and equipment payable at the Ending of the period	( 28,603)	( 30,942)
Cash Paid for the Period	<u>\$ 208,356</u>	<u>\$ 261,587</u>

(28) Changes in liability from financial activities.

	<u>Shot-term borrowings</u>	<u>Short-term notes payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Total liabilities from financial activities</u>
January 1, 2021	\$ 1,143,283	\$ 210,000	\$2,067,000	\$ 78,401	\$ 28,100	\$3,526,784
Borrowing	508,239	652,000	450,000	-	10,059	1,620,298
Repayment	( 786,858)	( 630,033)	( 652,000)	( 15,010)	( 7,611)	( 2,091,512)
Changes from non-cash items	-	-	-	9,180	-	9,180
Changes in exchange rate	-	-	-	-	1,986	1,986
December 31, 2021	<u>\$ 864,664</u>	<u>\$ 231,967</u>	<u>\$1,865,000</u>	<u>\$ 72,571</u>	<u>\$ 32,534</u>	<u>\$3,066,736</u>

	<u>Shot-term borrowings</u>	<u>Short-term notes payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Total liabilities from financial activities</u>
January 1, 2020	\$1,279,871	\$ 67,480	\$ 2,248,000	\$ 76,876	\$ 28,530	\$ 3,700,757
Borrowing	571,720	633,520	208,000	-	16,490	1,429,730
Repayment	( 708,308)	( 491,000)	( 389,000)	( 11,577)	( 17,261)	(1,617,146)
Changes from non-cash items	-	-	-	13,102	-	13,102
Changes in exchange rate	-	-	-	-	341	341
December 31, 2020	<u>\$1,143,283</u>	<u>\$ 210,000</u>	<u>\$ 2,067,000</u>	<u>\$ 78,401</u>	<u>\$ 28,100</u>	<u>\$ 3,526,784</u>

7. Related party transactions

(1) 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
PHERMPEP CO., LTD. (PHERMPEP)	Associate of The Group
Wuxi Jirui Medical Technology Co., Ltd. (Wuxi Jirui)	Associate of The Group
HU-YU CO., LTD (HU-YU)	The individual controlled by major management team of The Group
Ma Jia De Enterprise Co., Ltd. (Ma Jia De)	The individual controlled by major management team of The Group
MegaPro Biomedical Co., Ltd.	Other related parties

(2) Major transactions with related parties

1. Operating revenue

	<u>2021</u>	<u>2020</u>
Merchandising:		
The individual controlled by major management team- HU-YU	\$ 212,778	\$ 294,028
Affiliate business	<u>2,698</u>	<u>2,012</u>
	<u>\$ 215,476</u>	<u>\$ 296,040</u>

- (1) 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 Net 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

	<u>2021</u>	<u>2020</u>
Purchase of goods:		
Affiliate business	\$ <u>67,467</u>	\$ <u>100,975</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable and notes:		
The individual controlled by major management team- HU-YU	\$ 148,376	\$ 200,168
Affiliate business	<u>144</u>	<u>7</u>
	148,520	200,175
Less: Allowance for losses	<u>(22,236)</u>	<u>(30,025)</u>
Total	<u>\$ 126,284</u>	<u>\$ 170,150</u>

- (1) The payment term of the group for general customers is 120 days to 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 (2)5(1) loan funds of “The individual controlled by the major management team”
- (2) Account and note receivables as of December 31, 2021 and 2020 were from customer contracts. Account receivables (including note receivables) and the associated allowed made stood at NT\$ 236,604 and NT\$ 35,489, respectively, on January 1, 2020.
- (3) Regardless of the collateral held or other credit enhancements, the highest credit risk exposure amount of the notes and accounts receivable that best represent the Group to the related parties on December 31, 2021 and 2020 is the book value.

4. Accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Affiliate business	\$ <u>24,119</u>	\$ <u>42,096</u>

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.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The individual controlled by major management team- HU-YU	\$ 258,697	\$ 220,379
Less: Allowance for losses	<u>( 31,904)</u>	<u>( 33,057)</u>
	<u>\$ 226,793</u>	<u>\$ 187,322</u>

B. Interest income

	<u>2021</u>	<u>2020</u>
The individual controlled by major management team- HU-YU	<u>\$ 4,249</u>	<u>\$ 5,361</u>

(2) Interest receivable, rent receivable and collection and payment transfer.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Affiliate business	<u>\$ 1,107</u>	<u>\$ 1,125</u>

6. Obtain the financial assets (capital increase by Cash)

		<u>2021</u>		
<u>Account titles in book</u>		<u>Number of shares traded (thousand shares)</u>	<u>Object of transaction</u>	<u>Prices of acquisitions</u>
Associate-Pharmep	Investment accounted for under the equity method	828	CCPC Health Biological Technology Co., Ltd.	<u>\$ 8,280</u>
Other related parties - MegaPro Biomedical Co., Ltd.	Financial assets at fair value through other comprehensive profit or loss	338	MegaPro Biomedical Co., Ltd.	<u>\$ 11,846</u>
2020: Not applicable.				

7. Provide the endorsement guarantee status of the related party

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The individual controlled by major management team- HU-YU	<u>\$ 212,000</u>	<u>\$ 262,000</u>

8. Others.

The royalty income from Sinochem Health in 2021 and 2020 was NT\$1,417 and NT\$1,112 respectively.

(3) Remuneration to key management

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 103,496	\$ 92,254
Retirement benefits	<u>2,063</u>	<u>1,609</u>
	<u>\$ 105,559</u>	<u>\$ 93,863</u>

## 8. Pledged assets

The assets of the Group are offered as collateral as follows:

<u>Asset Item</u>	<u>Book Value</u>		<u>Purpose of guarantee</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Time deposits (listed in other financial assets- liquidity)	\$ 7,908	\$ -	Bank's Acceptance Bill
Time deposits (booked as financial assets measured at amortized cost – current)	-	400	Bank performance bond note
Property, plant, and equipment	2,827,077	2,757,277	Long-term and short-term loan, purchase...etc.

## 9. Significant contingent liabilities and unrecognized contractual commitments

### (1) Contingencies

A lawsuit, claiming NT\$ 5,000, was filed by TSH Biopharm against the Company for patent infringement and fair dealing violation. The Company, after self-assessment, asserted no violation for the alleged claims. Subsequently, the lawsuit was dismissed by Intellectual Property Court in July, 2018. An appeal was filed to the collegiate bench of Intellectual Property Court by TSH Biopharm in August, 2018 and ruled in favor of the Company. TSH Biopharm Corporation filed an appeal to the Supreme Court, and our lawyers are making defense.

### (2) Commitments

1. As the Group signed purchase contracts for machinery and equipment and plant construction, the unpaid contract prices as of December 31, 2021 and December 31, 2020 were NT\$82,637 and NT\$71,095 respectively.
2. The unused L/C balance as of December 31, 2021 and December 31, 2020 were NT\$10,911 and NT\$46,503 respectively.
3. The promissory notes issued as of December 31, 2021 and December 31, 2020 totaled NT\$2,180,000 and NT\$2,490,000 respectively.
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. As of December 31, 2021, the Group's payment totaled NT\$64,260 (USD2,000,000), which was originally recognized as "other non-current assets — long-term prepayments," and was reclassified as "other current assets - prepayments" since 2019 since the manufacturer already obtained the drug certificate in 2019, and the Group plans to start purchasing and selling in 2020. However, the Group cancelled the contract given that Celltrion Healthcare violated the contract by switching its sales channel, and the payment was recognized as "other receivables." As of April 2021, the Group received the relevant payment amount of NT\$56,600(USD2,000,000).
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. As of December 31, 2021, Chung-Hwa Yuming paid NT\$36,855 (EUR900,000), which was recognized as "other non-current assets — long-term prepayments." 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.

10. Significant disaster loss

No such event

11. Significant subsequent events

(1) Please find Note 6(17)5 for explanation of the earnings distribution.

(2) On March 8, 2022, the board of directors passed the issuance of common shares or domestic convertible bonds (including secured or unsecured convertible bonds) through private placement. The actual number of issued or convertible shares shall be submitted to the shareholders' meeting, and the board of directors are authorized to issue common shares of no more than 20% of the total number of issued shares (i.e. no more than 59,616,216 shares) via private placement, depending on the capital market conditions, and the issuance shall be within three times. As of March 29, 2022, the aforementioned private placement has not yet been resolved by the shareholders' meeting.

12. Others

(1) 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 Group in 2021 is the same as that in 2020, which is dedicated to maintain the debt-to-capital ratio to 40% below. The debt-to-capital ratio of The Group in December 31, 2021 and 2020 is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total loan amount	\$ 2,961,631	\$ 3,420,283
Less: Cash and cash equivalent	( 849,035)	( 1,034,239)
Net debt	2,112,596	2,386,044
Total equity	<u>7,788,470</u>	<u>6,626,859</u>
Total capital	<u>\$ 9,901,066</u>	<u>\$ 9,012,903</u>
Liability/assets ratio	21%	26%

(2) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 89,149	\$ -
Financial assets at fair value through other comprehensive profit or loss		
Select the designated equity instrument investment.	1,240,965	741,685
Financial assets measured at the amortized cost		
Cash and cash equivalents	849,035	1,034,239
Financial assets measured at the amortized cost	-	400
Notes receivable	487,182	439,088
Accounts receivable	1,565,390	1,727,048
Other receivables	263,308	273,713
Other financial assets	7,908	-
Refundable deposits	77,219	49,428
	<u>\$ 4,580,156</u>	<u>\$ 4,265,601</u>
<u>Financial liabilities</u>		
Financial liability measured at the amortized cost		
Short-term borrowings	\$ 864,664	\$ 1,143,283
Short-term notes payable	231,967	210,000
Payable notes	41,812	-
Accounts payable	757,318	960,728
Other payables	660,941	717,857
Deposits received	32,534	28,100
The long-term loan (including the expiration of one year or an operating cycle).	1,865,000	2,067,000
	<u>\$ 4,454,236</u>	<u>\$ 5,126,968</u>
Lease liability (including current and non-current)	<u>\$ 72,571</u>	<u>\$ 78,401</u>

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 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 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:

	<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	Book value
(Foreign currency: Functional currency)	<u>(NT\$ thousand)</u>		<u>(NTD)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
JPY: NTD	\$ 93,822	0.2406	\$ 22,574
USD: NTD	910	27.67	25,180
JPY: RMB	48,198	0.0554	11,594
USD:RMB	2,425	6.37	67,100
<u>Financialliabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 2,961	27.67	\$ 81,931
JPY: NTD	86,844	0.2406	20,895

	<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	Book value
(Foreign currency: Functional currency)	<u>(NT\$ thousand)</u>		<u>(NTD)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
JPY: NTD	\$ 238,997	0.2767	\$ 66,130
USD: NTD	2,796	28.48	79,630
JPY: RMB	9,893	0.0632	2,661
USD:RMB	2,213	6.52	61,271
<u>Financialliabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 13,011	28.48	\$ 370,553
JPY: NTD	38,870	0.2767	10,755

C. The amounts of the unrealized gains and losses with significant exchange rate fluctuation for the currency of the Group recognized in 2021 and 2020 are summed amount respectively as (NT\$1,319) and NT\$ 8,450.

D. The analysis of foreign exchange risk affected by significant exchange rate fluctuation for The Group is as follows.

	<u>Magnitude changes</u>	<u>2021</u>	
		<u>Sensitivity analysis</u>	
		<u>Influence of profit and loss</u>	<u>The impact of other comprehensive profit or loss</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
JPY: NTD	1%	\$ 226	\$ -
USD: NTD	1%	252	-
JPY: RMB	1%	116	-
USD:RMB	1%	671	-
<u>Financialliabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 819	\$ -
JPY: NTD	1%	209	-

	<u>Magnitude changes</u>	<u>2020</u>	
		<u>Sensitivity analysis</u>	
		<u>Influence of profit and loss</u>	<u>The impact of other comprehensive profit or loss</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
JPY: NTD	1%	\$ 661	\$ -
USD: NTD	1%	796	-
JPY: RMB	1%	27	-
USD:RMB	1%	613	-
<u>Financialliabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 3,706	\$ -
JPY: NTD	1%	\$ 108	-

#### Price risk

- A. Equity instruments with price risks held by the Group include financial assets at fair value through profit and loss and 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. Assuming that all other conditions remain unchanged, if the price of the aforementioned equity instruments hikes or declines by 1%, the net profit, classified as the profit or loss from equity investments measured at fair value through profit or loss, in 2021 and 2020 are estimated to increase or decrease by NT\$891 and NT\$0, respectively. Other comprehensive income, classified as the profit or loss from

equity investment measured at fair value through other comprehensive income, in 2021 and 2020 are estimated to increase or decrease by NT\$12,410 and NT\$7,417, respectively.

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 2021 and 2020 is based on the floating rate in NTD, US dollars and YEN.
- B. In 2021 and 2020, if the change in loan interest rates is 0.1%, and all other elements are remained the same, net incomes of 2021 and 2020 will respectively decreases NT\$2,369 and NT\$2,737 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:  
The credit risk of a financial asset is deemed to increase significantly since the recognition when a contract payment is 30 day past due.
- 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, 2021 and 2020, 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, 2021 and 2020 are, respectively, NT\$144, NT\$0, NT\$7 and NT\$0.
  - (2) The management's expectation of shortfalls is 15%. As of December 31, 2021 and December 31, 2020, the total accounts and bills receivable were NT\$148,376 and NT\$22,236, respectively, while the allowance for loss were NT\$200,168 and NT\$30,025 respectively; other receivables totaled NT\$258,697 and NT\$31,904,

respectively, while its allowance for loss were NT\$220,379 and NT\$33,057 respectively.

- (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, 2021 and 2020 is as follows:

	<u>Not-overdue</u>	<u>1 to 90 days overdue</u>	<u>91 to 180 days overdue</u>	<u>Overdue exceeding 180 days</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected rate of loss	0.02%-1.66%	0.02%-30.93%	0.02%-100.00%	100.00%	
Total amount of the book value	\$1,985,143	\$20,946	\$ 4,561	\$ 7,726	\$2,018,376
Allowance for losses	12,167	1,075	1,482	7,726	22,450
<u>December 31, 2020</u>					
Expected rate of loss	0.02%-1.73%	0.02%-33.74%	0.02%-100.00%	100.00%	
Total amount of the book value	\$2,047,670	\$42,031	\$ 5,749	\$ 7,434	\$2,102,884
Allowance for losses	13,159	5,035	1,699	7,434	27,327

- H. The change in allowance for loss table for bill receivable, accounts receivable and other accounts receivable by the Group are as follows:

	<u>2021</u>	
	<u>Note receivable and accounts receivable</u>	<u>Other receivables</u>
January 1	\$ 57,352	\$ 33,057
Impairment loss reversal	( 12,528)	-
Reclassification	1,153	( 1,153)
Write-offs of uncollectable accounts	( 1,235)	-
Foreign exchange impact amount	( 56)	-
December 31	<u>\$ 44,686</u>	<u>\$ 31,904</u>
	<u>2020</u>	
	<u>Note receivable and accounts receivable</u>	<u>Other receivables</u>
January 1	\$ 90,602	\$ 33,149
Impairment loss reversal	( 31,088)	-
Write-offs of uncollectable accounts	( 2,325)	-
Reclassification	92	( 92)
Foreign exchange impact amount	71	-
December 31	<u>\$ 57,352</u>	<u>\$ 33,057</u>

- (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, 2021	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 year</u>
Shot-term borrowings	\$ 570,433	\$ 296,783	\$ -	\$ -	\$ -
Short-term notes payable	231,967	-	-	-	-
Payable notes	18,831	22,981	-	-	-
Accounts payable	705,510	51,808	-	-	-
Other payables	537,719	123,222	-	-	-
Lease liabilities	4,228	11,574	14,927	33,801	10,776
Long-term borrowings	2,494	25,769	1,659,816	193,706	-
Deposits received	1,830	6,957	12,096	11,651	-

Non-derivative financial liabilities:

December 31, 2020	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 year</u>
Shot-term borrowings	\$ 216,412	\$ 929,792	\$ -	\$ -	\$ -
Short-term notes payable	210,000	-	-	-	-
Accounts payable	832,553	128,175	-	-	-
Other payables	584,774	133,083	-	-	-
Lease liabilities	3,618	10,929	13,244	33,570	20,487
Long-term borrowings	4,209	27,871	1,806,467	254,094	-
Deposits received	1,325	13,454	5,419	7,902	-

(3) Fair value information

1. For the Group's financial assets and liabilities not measured at fair value, including cash and cash equivalents, financial assets measured at amortized cost — current, bills receivable, accounts receivable, other receivables, refundable deposits, other financial assets, short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, deposits received, long-term borrowings (including long-term borrowings due within one year or within the Group's operating cycle) and lease liabilities, the amount is a reasonable approximation of fair value. Please refer to Note 12 (2) 1. for details.
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 fair value of investment property calculated by cost method is NT\$105,316, which was estimated based on the market price of similar properties in the vicinity.
4. 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, 2021	<u>Level1</u>	<u>Level2</u>	<u>Level3</u>	<u>Total</u>
Assets				
<u>Repeatable fair value</u>				
Investment of equity instruments at fair value through other comprehensive income	<u>\$1,162,198</u>	<u>\$ -</u>	<u>\$ 78,767</u>	<u>\$1,240,965</u>
December 31, 2020	<u>Level1</u>	<u>Level2</u>	<u>Level3</u>	<u>Total</u>
Assets				
<u>Repeatable fair value</u>				
Investment of equity instruments at fair value through other comprehensive income	<u>\$594,321</u>	<u>\$ 89,882</u>	<u>\$ 57,482</u>	<u>\$ 741,685</u>

- (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 classification according to the feature of the tool is as follows:

Listed (OTC) and emerging 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. In October 2021, as MegaPro Biomedical Co., Ltd. has been converted into emerging stock, the Group's fair value measurement is transferred from Level 2 to Level 1 in the fair value

hierarchy.

6. The changes in Level 3 in 2021 and 2020, respectively, are described as follows:

	<u>2021</u>	<u>2020</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ 57,482	\$ 46,402
Increase of the current period	25,872	7,390
Capital reduction and refund of the equity instruments measured at fair value through other comprehensive income	( 9,000)	-
Evaluation adjustment	4,355	3,461
Foreign exchange impact amount	<u>58</u>	<u>229</u>
December 31	<u>\$ 78,767</u>	<u>\$ 57,482</u>

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 third level of fair value is as follows:

December 31, 2021		<u>Significant</u>	<u>Relationship between</u>
	<u>Fair value</u>	<u>unobservable input</u>	<u>input value and fair</u>
		<u>value</u>	<u>value</u>
Stock of the venture capital	\$ 78,767	Net assets value method	Not applicable
		Not applicable	Not applicable
December 31, 2020		<u>Significant</u>	<u>Relationship between</u>
	<u>Fair value</u>	<u>unobservable input</u>	<u>input value and fair</u>
		<u>value</u>	<u>value</u>
Stock of the venture capital	\$ 57,482	Net assets value method	Not applicable
		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.

(4) Other matters

Due to the impact of COVID-19 pandemic and the government's various COVID-19 prevention measures, the Group has implemented response measures such as distributed work, and continuous management of related matters. After assessment, no material impact was found on the Group's financial position and performance.

13. Notes of disclosure

(1) 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 2021 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: please refer to the attached table 4.
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 attached table 5.
8. Amounts receivable from related parties totaling more than NTD100 million or 20% of paid up capital: please refer to attached table 6.
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 7.

(2) Information regarding investees

For the name, religion of the invested company..., such information (excluding the invested company in China), please see attached table 8.

(3) Information regarding investment in the territory of mainland china

1. Basic information: Please see attached table 9.
2. Significant transactions with investee companies in the Mainland China, either directly or indirectly through a third country: Not applicable.

(4) Major shareholder information

Major shareholder information: please refer to Attachment 10.

14. Segment information

(1) 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.

(2) 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.

(3) Segment information

The information provided for the major operation decision maker for the reportable segments is as follows:

<u>2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Adjust and eliminate</u>	<u>Total</u>
External revenue	\$ 5,668,194	\$2,280,804	\$ -	\$7,948,998
Inter-segment income	<u>2,092,314</u>	<u>-</u>	<u>(2,092,314)</u>	<u>-</u>
Revenue of the reportable segments.	<u>\$ 7,760,508</u>	<u>\$2,280,804</u>	<u>(\$2,092,314)</u>	<u>\$7,948,998</u>
Pre-tax net income of the segments before being adjusted	\$ 298,327	\$ 217,242	\$ 1,310	\$ 516,879
Investment profit or loss recognized according to the Equity Method	<u>306,322</u>	<u>(2,428)</u>	<u>(161,533)</u>	<u>142,361</u>
Pre-tax net income of the reportable segments	<u>\$ 604,649</u>	<u>\$ 214,814</u>	<u>(\$ 160,223)</u>	<u>\$ 659,240</u>
Asset of the reportable segments.	<u>\$10,824,130</u>	<u>\$1,962,746</u>		<u>\$ 12,786,876</u>
Profits or losses of the segments include:				
Depreciation and amortization	<u>\$ 224,640</u>	<u>\$ 52,826</u>		<u>\$ 277,466</u>
<u>2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Adjust and eliminate</u>	<u>Total</u>
External revenue	\$ 5,998,729	\$2,182,327	\$ -	\$8,181,056
Inter-segment income	<u>2,298,389</u>	<u>-</u>	<u>(2,298,389)</u>	<u>-</u>
Revenue of the reportable segments.	<u>\$ 8,297,118</u>	<u>\$2,182,327</u>	<u>(\$ 2,298,389)</u>	<u>\$8,181,056</u>
Pre-tax net income of the segments before being adjusted	\$ 423,210	\$ 77,719	\$ 1,926	\$ 502,855
Investment profit or loss recognized according to the Equity Method	<u>234,310</u>	<u>(2,916)</u>	<u>(76,609)</u>	<u>154,785</u>
Pre-tax net income of the reportable segments	<u>\$ 657,520</u>	<u>\$ 74,803</u>	<u>(\$ 74,683)</u>	<u>\$ 657,640</u>
Asset of the reportable segments.	<u>\$10,386,380</u>	<u>\$1,970,534</u>		<u>\$ 12,356,914</u>
Profits or losses of the segments include:				
Depreciation and amortization	<u>\$ 212,945</u>	<u>\$ 52,232</u>		<u>\$ 265,177</u>

(4) 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.

(5) 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:

	<u>2021</u>	<u>2020</u>
Manufacture and sales of the medicine and health products.	\$ 7,843,727	\$ 8,085,410
Others	<u>105,271</u>	<u>95,646</u>
	<u>\$ 7,948,998</u>	<u>\$ 8,181,056</u>

(6) 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

(7) Information about important customers

The business revenue of each customer in 2021 and 2020 doesn't reach 10% of the amount on the balance sheet, therefore, not applicable.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

The Loaning of Funds

January 1 to December 31, 2021

Unit: NTD thousand  
(Except where otherwise stated)

Attached table 1

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	the necessity of short-term financing	Amount of provision for bad debts	Collateral Name	Value	Limit of financing particular beneficiary	Total limit of financing	Remarks
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	Other receivable:	Y	\$ 220,379	\$ 212,757	\$ 212,697	1.80%	1	\$ 212,757	-	\$ 31,904	Note 5	\$ -	\$ 212,757	\$ 2,326,234	Note 4 (1)
1	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Yuning Pharmaceutical Co., Ltd.	Other receivable:	Y	7,115	7,115	7,115	-	2	-	Working capita	-	-	-	194,566	389,132	Note 4 (3)
1	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Pei Fu (Shanghai) Co., Ltd.	Accounts receiva	Y	12,510	12,510	12,510	-	2	-	Working capita	-	-	-	194,566	389,132	Note 4 (3)
1	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Yuning Pharmaceutical Co., Ltd.	Accounts receiva	Y	25,416	15,545	15,545	-	2	-	Working capita	-	-	-	194,566	389,132	Note 4 (3)
1	Tairung Development Co., Ltd.	HU-YU Co., Ltd.	Other receivable:	Y	46,000	46,000	46,000	2.10%	2	-	Working capita	-	-	-	46,883	46,883	Note 4 (4)

Note 1: The filing method for the numbering of lending money by the Company 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: Maximum and aggregate amount of loans made to a single entity by the Company:

- (1) Company and its subsidiaries with business transactions with the company whose individual lending amount may not exceed the most recent one year or the current year's incoming goods amount or total sales amount with the company, at the time of capital lending.
- (2) No loan made to a single entity by the Company shall exceed 15% of its net worth. Aggregated loans made by the Company shall not exceed 30% of its net worth.
- (3) No loan made to a single entity by Chung-hwa Yuning shall exceed 15% of its net worth. Aggregated loans made shall not exceed 30% of its net worth.
- (4) No loan made to a single entity by Tairung Development Co., Ltd. shall exceed 40% of its net worth. Aggregated loans made shall not exceed 40% of its net worth.

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, 2021

Attached table 2

Unit: NTD thousand  
(Except where otherwise stated)

No. (Note 1)	The company providing the endorsement and/or guarantee	and/or guarantee Relation (Note 2)	endorsements and/or guarantees to a single	balance of endorsements and/or	The actual amounts disbursed	endorsement s and/or guarantees	and guarantees as a percentage of equity in the most	The upper limit of an endorsement and/or guarantee	endorsement of parent company to	endorsement by subsidiary to parent	and in Mainland	Remarks
0	China Chemical & Pharmaceutical Co., Ltd.	1	\$ 2,326,234	\$ 212,000	\$ 212,000	-	2.73%	\$ 3,877,055	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, 2021

Attached table 3 Unit: NTD thousand  
(Except where otherwise stated)

Holding company	Types of negotiable securities	Name of securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending			Remarks	
					Quantity	Book value	Ratio of Shareholding		Fair value
China Chemical & Pharmaceutical Co., Ltd.	Stock	momo.com Inc.	-	Investment of equity instruments at fair value through other comprehensive income	658,500	\$ 428,134	0.36%	\$ 1,070,062	None
	"	Green Management International Co., Ltd.	-	"	111,237	710	5.21%	1,650	"
	"	CDIB Capital Healthcare Ventures Limited	-	"	2,100,000	21,000	1.71%	26,726	"
	"	MegaPro Biomedical Co., Ltd.	-	"	2,938,458	95,046	5.10%	92,136	"
	"	NEUROLOGIC, INC.	-	Investment of equity instruments at fair value through profit and loss	857,067	-	7.12%	-	"
	"	SynZyme Technologies, LLC	-	"	462,900	-	4.34%	-	"
Equity		Seraph partners	-	Investment of equity instruments at fair value through other comprehensive income	-	7,390	3.14%	6,564	"
			-	Evaluation adjustment	-	644,858	-	-	"
			-		\$ 1,197,138				
Tairung Development Co., Ltd.	Stock	China Chemical & Pharmaceutical Co., Ltd.	The Company	Investment of equity instruments at fair value through other comprehensive income	827,883	\$ 28,057	0.28%	\$ 18,752	None
				Evaluation adjustment	(	9,305)			
					\$ 18,752				
Timpeco International Co., Ltd. Chemical & pharmaceutical Industrial Co., Ltd.	Stock	Herbal Science, LLC	-	Investment of equity instruments at fair value through profit and loss	-	-	4.00%	\$ -	None
		Kunshan CDIB Yida Healthcare Enterprise Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	-	43,450	2.37%	\$ 43,827	None
				Evaluation adjustment		377			
					\$ 43,827				
Suzhou Chung-hwa Chemical & pharmaceutical	Beneficiary certificate	China Merchants Bank's Regular Open-end Net Value Wealth Management Products		Financial assets at fair value through profit and loss- Current	\$ 86,905			\$ 89,149	
				Evaluation adjustment		2,244			
					\$ 89,149				

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 9, "Financial Instruments"

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

The cumulative purchase or sale of the same security for an amount exceeding NT\$300 million or 20% of paid-in capital.

January 1 to December 31, 2021

Attached table 4

Unit: NTD thousand  
(Except where otherwise stated)

Buyer and sellers	Name (Note 1)	Account titles in book	Counterpart Relation		At beginning		Buy (Note 3)		Sell (Note 3)		At ending				
			(Note 2)	(Note 2)	Quantity	Amount	Quantity	Cost	Valuation	Quantity	Selling price	Cost in book	Quantity	Amount	
China Chemical & Pharmaceutical Co., Ltd.	momo.com Inc.	Investment of equity instruments at fair value through other comprehensive income	-	-	933,000	\$ 594,321	461,500	\$ 439,440	\$ 324,870	736,000	\$ 924,534	\$ 288,569	\$ 635,965	658,500	\$ 1,070,062

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 9, "Financial Instruments"

Note 2: Investors who use the equity method for securities accounts must fill in these two columns, while others are exempt.

Note 3: Cumulative buying and selling amount should be calculated separately to check whether it exceeds NT\$300 million or 20% of the paid-in capital.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Purchase from or sale to related parties for an amount exceeding NTS\$100 million or 20% of paid-in capital  
January 1 to December 31, 2021

Attached table 5

Unit: NTD thousand

Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Trading terms different from general trade and reasons			Notes and accounts receivable (payable)	Percentage of total notes and accounts receivable (payable)	Remarks
							Unit price	The credit period	Balance			
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	Sale	\$ 2,085,246	61.20%	The payment term is 150 days	Agreed by the quotation in the purchase agreement signed by	The payment term is 150 days.	\$ 1,462,386	72.65%		
China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	The Chairman is the same person of The Company.	Sale	212,757	6.24%	The payment term is 240 days	Due to the unique sales; no similar items for nature of The Company	Due to the unique sales; the selling price is the usage of the bill the import cost plus 4% should be longer than ~ 10% regular deals.	\$ 361,073	17.94%		
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Subsidiaries	Purchases	104,564	3.24%	Payment term of 60 days	Agreed by the quotation in the purchase agreement signed by both parties.	Payment term of 60 days.	-	-	Note	

Note: Individual accounts payable transactions less than NTS\$100,000 will not be disclosed.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Accounts receivable from related parties for an amount exceeding NTS 100 million or 20% of paid-in capital  
January 1 to December 31, 2021

Attached table 6

Unit: NTD thousand  
(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Amount	Receivables from related parties Process	Receivables amount collected from related	Amount of provision for bad debts	Remarks
China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	The Chairman is the same person of The Company.	361,073	0.54	\$ 212,697	To obtain the proven guarantee from the chairman of The Company and take joint and several liability for the unpaid debts or bills.	\$ 42,099	\$ 54,140	
	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	1,462,386	1.38	182,148	Active debt collection.	80,000	-	



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, 2021

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	\$ 226,920	\$ 226,920	4,376	71.64	\$ 84,482	\$ 6,387	\$ 3,982	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Holding Co., Ltd	Cayman Islands	Professional investment company	910,384	910,384	44,485,000	100.00	1,306,358	190,428	190,883	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	327,436	( 37,726)	( 36,949)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Senior Care Co., Ltd.	Taiwan	Medicine, wholesale of medicine equipment and	324,400	324,400	5,000,000	100.00	10,726	3,341	3,617	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	415,400	353,598	61,999	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Taiwan	Manufacture and selling of the chemical materials	563,849	296,292	21,575,064	27.82	875,252	400,778	89,426	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	PHERMPEP CO., LTD.	Taiwan	Wholesale of biotechnology services and health products.	48,280	40,000	3,588,000	44.85	21,215	( 14,139)	( 6,636)	Evaluation of equity method
Chunghwa Holding Co., Ltd	Timpeco International Co., Ltd.	Cook Islands	Professional investment company	801,701	801,701	16,436,500	100.00	1,309,973	190,667	-	Sub-subsidiary
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Taiwan	Manufacturer of cleaning products	17,380	17,380	1,738,000	73.96	2,412	( 12,430)	-	Sub-subsidiary

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 Attached Table 1-7.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Basic information- Information of the investees in China

January 1 to December 31, 2021

Attached table 9

Unit: NTD thousand  
(Except where otherwise stated)

Names of investees in China	Principal business	Paid-in shares	Capit	Mode of investments (Note 1)	amount of investment remitted from Taiwan at	remitted or recovered in current period		amount of investment remitted from Taiwan at ending	Current period profit/ loss of the investee	s directly or indirectly invested shareholding	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
						Outward remittance	Recover							
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Manufacture and sales of pharmaceutical medicine and health products.	\$ 755,151		2	\$ 768,672	\$ -	\$ -	\$ 768,672	\$ 193,979	100	\$ 193,979	\$ 1,185,736	\$ 226,024	Note 1 (2), Note 2(2)B and Note 7
Suzhou Chung-hwa Yuming Pharmaceutical Co., Ltd.	Wholesale and sales of pharmaceutical medicine and medical equipment.	10,203		3	-	-	-	- (16,730)	(16,730)	100	-	(4,082)	-	Note 2(2)B, Note 3 and Note 7
Pei Fu (Shanghai) Co., Ltd.	Wholesale and sales of medical equipment.	182,790		3	-	-	-	- (229)	(229)	100	-	(7,780)	-	Note 2(2)B, Note 4 and Note 7
Suzhou Zhong-Hwa Le Huo Jian Kang Co., Ltd.	E-commerce sales of health products	26,941		3	-	-	-	- (1,469)	(1,469)	100	-	25,293	-	Note 2(2)B, Note 5, 7
Wuxi Jirui Medical Technology Co., Ltd.	Production and sales of APIs	17,508		3	-	-	-	- (7,156)	(7,156)	34	-	1,266	-	Note 2(2)B, Note 6, 7

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEA/AIC

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):

A. Investment made to Suzhou Chung-Hua Chemical & Pharmaceutical was by Ke Ding Mao International Co. through Chung-hwa Holding Co.

(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 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.

C. Others.

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: Direct investment with RMB\$ 6,160,000 by Suzhou Chung-Hua Chemical & Pharmaceutical Industrial CO., LTD

Note 6: Acquired 34% shareholding of Wuxi Jirui Medical Technology Co., Ltd. in February 2021 by use of RMB\$50,000 capital from The Suzhou Chung-Hwa Yuming Pharmaceutical Co., Ltd.

Note 7: The Company does not recognize investment profit and loss directly.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Major shareholder information  
January 1 to December 31, 2021

Attached table 10

Names of Dominant Shareholders	Number of shares held	Shareholding	Ratio of Shareholding
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	42,053,137		14.11%

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

Auditor's Report

(2022) Cai-Shen-Bao-Zi No. 21003348

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, 2021 and 2020, 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, 2021 and 2020, 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 2021. 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 2021 included:

## **Accounting estimation of allowance for account and note receivables**

### Description of the matter

Please refer to the footnotes relating to account and note receivables in the stand-alone financial statement: Note 4(7) for the accounting policy, Note 5(2) for accounting estimation and uncertainty assumption, and Note 6(2) and Note 7(2) for item explanation.

The Company assessed the impairment losses of account and note receivables by taking into consideration the overdue status and existing allowance made based on indicators of impairment from each case. The item is listed as a key audit matter because assessment involved subjective judgments from the management, and the receivables involved were significant.

### Audit response

Key audit procedures carried out to the allowance estimation made by China Chemical and Pharmaceutical Co. and some subsidiary entities (using equity method) are as follows:

1. Evaluate the reasonableness and consistency of the allowance policies adopted on account and note receivables.
2. Perform tests on effectiveness of the internal control system relating to customer credit setting and approval
3. Perform tests on account receivable aging report to ensure the reasonableness of aging categorization and allowance estimation.
4. Evaluate the appropriateness of supporting evidence identified by management when judging impairment of account and note receivables of significance.
5. Collect information related to uncollected account and note receivables of significance after the current period and re-evaluate the adequacy

## **Evaluation on inventory**

### Description of the matter

For the accounting policy of the assessment of inventory write-downs, please refer to Note 4 (10). 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.

### Audit response

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

1. Evaluate the accounting policy of allowances for losses of investment impairment based on the understanding of the Company's operations and the nature of its industry.
2. 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 NT\$506,127 thousand and NT\$476,072 thousand as of December 31, 2021 and 2020, respectively, which accounted for 4.53% and 4.50% of the total assets, respectively. The consolidated profit and loss recognized by the aforementioned companies were NT\$61,580 thousand and NT\$60,924 thousand for the year ending December 31, 2020 and 2019, respectively, which accounted for 4.22% and 6.60%, 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 an auditor's report. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. 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 2021 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 29, 2022

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, 2021 and 2020

Unit: NTD thousand

Assets	Additional notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6 (1)	\$ 110,272	1	\$ 98,272	1
1136	Financial assets measured at the amortized cost-current	8	-	-	400	-
1150	Notes receivable-net	6 (2)	64,980	1	43,337	1
1160	Notes Receivable-Related Parties- net	7	97,943	1	114,913	1
1170	Notes accounts, net	6 (2)	119,965	1	186,329	2
1180	Account receivables-Related Parties- net	7	1,490,583	13	1,619,908	15
1200	Other receivables		30,091	-	22,550	-
1210	Other receivables - related parties	7	185,187	2	191,812	2
130X	Inventory	6(3)	1,082,256	10	1,180,652	11
1470	Other current assets		11,936	-	17,618	-
11XX	<b>Total current assets</b>		<u>3,193,213</u>	<u>29</u>	<u>3,475,791</u>	<u>33</u>
<b>Non-Current assets</b>						
1517	The financial assets measured for the fair values through other comprehensive income- non-current	6 (4) and 7	1,197,138	11	725,277	7
1550	Investment under the equity method	6 (5) and 7	3,036,478	27	2,558,699	24
1600	Property, plant, and equipment	6(6), 7 and 8	3,568,949	32	3,600,695	34
1755	Right-of-use assets	6 (7)	32,300	-	32,809	-
1780	Intangible assets		13,632	-	19,917	-
1840	Deferred income tax assets	6 (22)	101,064	1	110,647	1
1900	Other non-current assets		38,953	-	45,681	1
15XX	<b>Total of Non-Current Assets</b>		<u>7,988,514</u>	<u>71</u>	<u>7,093,725</u>	<u>67</u>
1XXX	<b>Total assets</b>		<u>\$ 11,181,727</u>	<u>100</u>	<u>\$ 10,569,516</u>	<u>100</u>

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.  
Individual Balance Sheet  
December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and equity	Additional notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Shot-term borrowings	6 (8)	\$ 740,664	7	\$ 987,283	9
2110	Short-term notes payable	6 (9)	100,000	1	150,000	2
2130	Contractual liability- current	6 (16)	11,479	-	1,529	-
2150	Payable notes		1,642	-	-	-
2170	Accounts payable		280,894	2	323,989	3
2180	Accounts payable - related parties	7	25,545	-	44,157	-
2200	Otherpayables		281,410	3	298,509	3
2230	Current Tax Liability		58,101	1	57,487	1
2280	Lease liabilities - current		5,867	-	4,164	-
2300	Other current liabilities		7,311	-	7,144	-
21XX	<b>Totalcurrentliabilities</b>		<u>1,512,913</u>	<u>14</u>	<u>1,874,262</u>	<u>18</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6 (10)	1,697,000	15	1,878,000	18
2570	Deferred tax liabilities	6 (22)	143,560	1	111,170	1
2580	Lease liabilities – non-current		26,930	-	28,963	-
2600	Other non-current liabilities	6 (11)	47,214	1	85,444	1
25XX	<b>Total of non-current liabilities</b>		<u>1,914,704</u>	<u>17</u>	<u>2,103,577</u>	<u>20</u>
2XXX	<b>Totalliabilities</b>		<u>3,427,617</u>	<u>31</u>	<u>3,977,839</u>	<u>38</u>
<b>Equity</b>						
Capital stock						
3110	Commonstockcapital	6 (12)	2,980,811	27	2,980,811	28
Capital surplus						
3200	Capital surplus	6 (13)	646,593	5	646,000	6
Retained earnings						
3310	Legal reserve	6 (14)	610,012	5	535,449	5
3320	Special reserve		188,958	2	188,958	2
3350	Undistributed earnings		2,818,381	25	2,042,582	19
Other equity						
3400	Other equity	6 (15)	537,409	5	225,931	2
3500	Treasury stock	6 (12)	( 28,054)	-	( 28,054)	-
3XXX	<b>Total equity</b>		<u>7,754,110</u>	<u>69</u>	<u>6,591,677</u>	<u>62</u>
Significant contingent liabilitiesand unrecognizecontractualcommitments						
Significantsubsequentevents						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 11,181,727</u>	<u>100</u>	<u>\$ 10,569,516</u>	<u>100</u>

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

Chairman: Chungwa Chemical Synthesis & Biotech Co., Ltd.  
Representative: Wang Hsieh I-Chen

Manager: Wu, Chih-Yung

Accounting Supervisor: Huang, Yi-Chun

China Chemical & Pharmaceutical Co., Ltd.  
Individual Income Statement  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand  
(except EPS in NTD)

Item	Additional notes	2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	6(16) and 7	\$ 3,407,463	100	\$ 3,857,241	100
5000 Operating cost	6(3)(20) and 7	( 2,536,902)	( 75)	( 2,825,279)	( 73)
5900 Gross profit		870,561	25	1,031,962	27
5910 Unrealized sales gains		( 133,771)	( 4)	( 132,287)	( 3)
5920 Realized sales gains		132,287	4	93,524	2
5950 Operating gross profit		869,077	25	993,199	26
Operating expenses	6 (20)				
6100 Marketing expenses		( 119,707)	( 3)	( 122,846)	( 3)
6200 Administrative expenses		( 187,546)	( 5)	( 150,393)	( 4)
6300 Research and development expenses		( 295,536)	( 9)	( 331,552)	( 9)
6450 Expected credit impairment gain	12 (2)	8,944	-	6,360	-
6000 Total operating expenses		( 593,845)	( 17)	( 598,431)	( 16)
6900 Operating profit		275,232	8	394,768	10
Non-operating revenues and expenses					
7100 Interest revenue	6(17) and 7	4,168	-	5,334	-
7010 Other income	6(18) and 7	77,782	2	28,312	1
7020 Other profits and losses	6 (19)	( 1,692)	-	12,515	-
7050 Financial costs	6 (21)	( 30,779)	( 1)	( 37,273)	( 1)
7070 Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	6 (5)	306,322	9	234,532	6
7000 Total non-operating revenues and expenses		355,801	10	243,420	6
7900 <b>Net profit before taxation</b>		631,033	18	638,188	16
7950 Incometaxexpenses	6 (22)	( 113,525)	( 3)	( 80,823)	( 2)
8200 <b>Net income</b>		\$ 517,508	15	\$ 557,365	14

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.  
Individual Income Statement  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand  
(except EPS in NTD)

Item	Additional notes	2021		2020		
		Amount	%	Amount	%	
<b>Other comprehensive profit or loss (net)</b>						
<b>The items that are not re-classified as profit or loss</b>						
8311	Reevaluation of determined benefit plan	6 (11)	\$ 25,423	1	(\$ 2,898)	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6 (4) (15)	922,996	27	359,223	9
8330	The proportion of other comprehensive incomes from subsidiary, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		7,234	-	( 3,212)	-
8349	Incomes tax related to titles not subject to reclassification	6 (22)	( 5,085)	-	579	-
8310	Total amount of items not reclassified to profit or income		<u>950,568</u>	<u>28</u>	<u>353,692</u>	<u>9</u>
<b>Items that may be re-classified subsequently under profit or loss</b>						
8361	Exchange differences from the translation of financial statements of foreign operations	6 (15)	( 9,479)	-	14,786	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.	6 (15)	( 572)	-	566	-
8399	Income tax related to items possibly be reclassified	6 (22)	1,896	-	( 2,957)	-
8360	Total amount of items probably reclassified to profit or loss subsequently		( 8,155)	-	12,395	1
8300	<b>Other comprehensive profit or loss (net)</b>		<u>\$ 942,413</u>	<u>28</u>	<u>\$ 366,087</u>	<u>10</u>
8500	<b>Current period other comprehensive income (Gross)</b>		<u>\$ 1,459,921</u>	<u>43</u>	<u>\$ 923,452</u>	<u>24</u>
Earnings per share						
9750	Basic earnings per share	6 (23)	\$	1.74	\$	1.88
9850	Diluted earnings per share		\$	1.72	\$	1.86

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

Chairman: Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Representative: Wang Hsieh I-Chen

Manager: Wu, Chih-Yung

Accounting Supervisor: Huang, Yi-Chun

China Chemical & Pharmaceutical Co., Ltd.  
Individual Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Capital surplus			Retained earnings				Other equity			Treasury stock	Total equity
	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 offoreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss			
<b>2020</b>												
Balance as of January 1, 2020	\$ 2,980,811	\$ 578,416	\$ 65,765	\$ 1,593	\$ 496,980	\$ 188,958	\$ 1,573,890	(\$ 97,944)	\$ 146,049	(\$ 28,054)	\$ 5,906,464	
Net income	-	-	-	-	-	-	557,365	-	-	-	557,365	
Current period other comprehensive income (Gross)	-	-	-	-	-	-	(4,922)	12,395	358,614	-	366,087	
Current period other comprehensive income	-	-	-	-	-	-	552,443	12,395	358,614	-	923,452	
The 2019 appropriation and distribution of earnings	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	38,469	-	(38,469)	-	-	-	-	
Cash dividends	-	-	-	-	-	-	(238,465)	-	-	-	(238,465)	
Cash dividends which Subsidiary obtained from the Parent company.	-	-	-	-	-	-	-	-	-	-	-	
Changes in the ownership equity on a subsidiary	-	-	475	(249)	-	-	-	-	-	-	475	
Equity instrument at fair value through other comprehensive income statement	-	-	-	-	-	-	-	-	-	-	(249)	
Balance as of December 31, 2020	\$ 2,980,811	\$ 578,416	\$ 66,240	\$ 1,344	\$ 535,449	\$ 188,958	\$ 2,042,582	(\$ 85,549)	\$ 311,480	(\$ 28,054)	\$ 6,591,677	
<b>2021</b>												
Balance as of January 1, 2021	\$ 2,980,811	\$ 578,416	\$ 66,240	\$ 1,344	\$ 535,449	\$ 188,958	\$ 2,042,582	(\$ 85,549)	\$ 311,480	(\$ 28,054)	\$ 6,591,677	
Net income	-	-	-	-	-	-	517,508	-	-	-	517,508	
Current period other comprehensive income (Gross)	-	-	-	-	-	-	26,083	(8,155)	924,485	-	942,413	
Current period other comprehensive income	-	-	-	-	-	-	543,591	(8,155)	924,485	-	1,459,921	
The 2020 appropriation and distribution of earnings	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	74,563	-	(74,563)	-	-	-	-	
Cash dividends	-	-	-	-	-	-	(298,081)	-	-	-	(298,081)	
Cash dividends which Subsidiary obtained from the Parent company.	-	-	-	-	-	-	-	-	-	-	-	
Equity instrument at fair value through other comprehensive income statement	-	-	593	-	-	-	-	-	-	-	593	
Balance as of December 31, 2021	\$ 2,980,811	\$ 578,416	\$ 66,833	\$ 1,344	\$ 610,012	\$ 188,958	\$ 2,818,381	(\$ 93,704)	\$ 631,113	(\$ 28,054)	\$ 7,754,110	

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

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China Chemical & Pharmaceutical Co., Ltd.  
Individual Statements of Cash Flow  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	<u>Additional notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>Cash flow from operating activities</u>			
Current year net profit before taxation		\$ 631,033	\$ 638,188
Adjustments			
Profits and loss			
Realized gross profit		( 132,287 )	( 93,524 )
Unrealized gross profit		133,771	132,287
Depreciation expenses	6(6)(7) (20)	184,341	174,544
Amortization expenses	6 (20)	6,284	5,750
Expected credit impairment gain	12 (2)	( 8,944 )	( 6,360 )
Interest expenses	6 (21)	30,779	37,273
Interest revenue	6 (17)	( 4,168 )	( 5,334 )
Dividend income	6 (18)	( 5,291 )	( 8,160 )
Gain in disposal of real estate, plant buildings, equipment & facilities	6 (19)	( 436 )	( 18 )
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method	6 (5)	( 306,322 )	( 234,532 )
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)		( 1,694 )	78,772
Accounts receivable (including related party and non-related party)		201,654	( 210,802 )
Inventory		98,396	( 148,085 )
Other receivables		( 7,541 )	10,814
Other receivables - related parties		6,625	3,434
Other current assets		5,682	( 1,577 )
Net changes in liabilities relating to operating activities			
Contractual liability- liquidity		9,950	30
Payable notes		1,642	-
Accounts payable including related party and non-related party)		( 61,707 )	91,112
Other payables		28,122	45,874
Other current liabilities		167	1,752
Net determined benefit liability		( 38,230 )	( 10,402 )
Cash inflow from operating activities		771,826	501,036
Interest received		4,168	5,334
Interest payment		( 31,363 )	( 37,953 )
Income tax payment		( 105,032 )	( 53,708 )
Dividends received		105,964	163,675
Net cash inflow from operating activities		<u>745,563</u>	<u>578,384</u>

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.  
Individual Statements of Cash Flow  
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	<u>Additional notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>Cash flow from investing activities</u>			
Decrease (increase) in financial assets based on cost after amortization		\$ 400	(\$ 400)
Acquisition of financial assets at fair value through other comprehensive profit or loss	6 (4)	( 451,286 )	( 248,964 )
Value of disposal of financial assets measured at FVTOCI	6 (4)	924,534	323,188
Purchase of property, plant, and equipment	6 (24)	( 149,297 )	( 228,418 )
Disposal of property, plant and equipment		1,457	1,248
Purchase of intangible assets		-	( 8,526 )
Increase in refundable deposits		( 3,483 )	( 1,108 )
De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease)	6 (4)	9,000	-
Acquisition of investment under the equity method	6 (5)	( 275,837 )	-
Increase of other non-current assets		( 8,100 )	( 24 )
Net cash inflow (outflow) from investing activities		<u>47,388</u>	<u>( 163,004 )</u>
<u>Cash flow from financing activities</u>			
Decrease in Short-term borrowings	6 (25)	( 246,619 )	( 126,088 )
Increase (decrease) in short-term payable notes	6 (25)	( 50,000 )	150,000
Current borrowing amount of long-term loan	6 (25)	450,000	208,000
Current repaying amount of long-term loan	6 (25)	( 631,000 )	( 368,000 )
Increase in deposits paid	6 (25)	-	( 30 )
Cash dividend released	6 (14)	( 298,081 )	( 238,465 )
Lease principal repayment	6 (25)	( 5,251 )	( 3,406 )
Net cash outflow from financing activities		<u>( 780,951 )</u>	<u>( 377,989 )</u>
Current cash and cash equivalents increase		12,000	37,391
Balance of cash and cash equivalents, beginning of period		<u>98,272</u>	<u>60,881</u>
Balance of cash and cash equivalent, end of period		<u>\$ 110,272</u>	<u>\$ 98,272</u>

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

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China Chemical & Pharmaceutical Co., Ltd.  
Individual Notes to financial statements  
2021 and 2020

Unit: NTD thousand  
(Except where otherwise stated)

1. Organization and operations

- (1) 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.
- (2) The Company was established on March 12, 1952 and the stock of The Company was listed in Taiwan Stock Exchange since February 9, 1962.

2. Financial reporting date and procedures

These individual financial statements were authorized for issuance by the Board of Directors on March 8, 2022.

3. Application of new and revised standards and interpretation

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

The new publication, amendments, and revision of the 2021 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

<u>New releases / amendments / revisions of the Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
Amendment to IFRS 4 “Temporary Exemption from Application of IFRS 9 Extension”	January 1, 2021
IFRS 9, International Accounting Standard (IAS) 39, IFRS 7, IFRS 4, and IFRS 16, phase 2 amendments to “Reforming Major Interest Rate Benchmarks”	January 1, 2021
Amendments to IFRS 16 - COVID-19-Related Rent Concessions after 30 June 2021	April 1, 2021 (Note)

Note: The Financial Supervisory Commission (FSC) allows the application to be advanced to 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.

- (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 2022 International Financial Reporting

Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

	The effective date announced by the International Accounting Standards Board
New releases / amendments / revisions of the Standards and Interpretations	
Amendment to IFRS 3 “Index to Conceptual Framework”	January 1, 2022
Amendment to IAS16 “Property, plant and equipment: price before reaching the intended state of use”	January 1, 2022
Amendments to IAS 37 “Loss Contracts—The Cost of Performing Contracts”	January 1, 2022
Improvements to IFRS 2018-2020	January 1, 2022
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.	

(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:

	The effective date announced by the International Accounting Standards Board
New releases / amendments / revisions of the Standards and Interpretations	
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, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 - Application of IFRS 17 and IFRS 9 — Comparative Information	January 1, 2023
“Classification of Liabilities as Current or Non-Current” (Amendments to IAS 1)	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
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.	

4. Summary of significant accounting policies

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

(1) Compliance Statement

This financial report is drafted according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) 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

- (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) 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.

(4) 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.

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

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.

(6) 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.

(7) Impairment of Financial Assets

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 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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 policies

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.

(12) 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 spare 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	6 years ~ 61 years
Machinery equipment	3 years ~ 21 years
Transport equipment	3 years ~ 11 years
Other equipment	2 years ~ 21 years

(13) Right-of-use assets/lease liabilities, from lessees transaction

1. Right-of-use assets and lease liabilities were recognized on the day when the assets were made available for the Company. For short-term leases or leases of low-value assets, payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liability is recognized, at the lease commencement, as the present value of the unpaid future payments, discounted at the Group's incremental borrowing interest rate, which covers:
  - (1) fixed payments less any lease incentives receivable;
  - (2) variable lease payments that depend on an index or a rateIt is subsequently measured on an amortized cost basis using an interest method with interest

expense recognized Modification of lease term or payments that was not part of the original lease contract triggers lease liability reassessment with corresponding adjustments to right-of-use assets

3. At the lease commencement date, right-of-use asset is recognized through costs with the following components:

- (1) the amount equal to the lease liability at its initial assessment
- (3) lease payments made at or before the commencement of the lease
- (3) any initial direct costs incurred by the lessee; and
- (4) an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

After the commencement date, the lessee shall measure the right-of-use asset applying a cost model, and depreciate asset from the commencement date to the earlier of the end of the useful life or the end of the lease term Any readjustments made to lease liability after it is reassessed; the corresponding adjustment will made to right-of-use asset.

(14) 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.

(15) 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.

(16) 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.

(17) 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 Company measures the initial invoice amount for any short-term account and note payables of unpaid interests.

(18) De-recognition of financial liabilities

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

(19) 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.

(20) 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. 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.

(21) 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 Company 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.

(22) Treasury stock

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

(23) 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.

(24) Recognition of revenue

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.

5. 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:

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

1. Impairment assessment on account and note receivable

Upon reassessing the allowance, the Company is required to exercise its judgment to determine future recoverability of the account receivables. Factors affecting future recoverability of the account receivables include customer financial status, historical records, current economy conditions, etc. 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. Allowance review involves expectations of probable future events based on the then current conditions at the balance sheet date. The actual outcomes may differ from the estimates and result in significant changes.

Please find Note 6(2) and 7(2) for the book amount of the accounts receivable and note receivable of the Company on December 31, 2021.

2. Inventory valuation

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, 2021.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 1,868	\$ 1,607
Check deposits	81,965	63,529
Current deposits	<u>26,439</u>	<u>33,136</u>
	<u>\$ 110,272</u>	<u>\$ 98,272</u>

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.

(2) Note receivable and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 65,022	\$ 43,363
Less: Allowance for losses	( 42)	( 26)
	<u>\$ 64,980</u>	<u>\$ 43,337</u>
Accounts receivable	\$ 120,064	\$ 186,446
Less: Allowance for losses	( 99)	( 117)
	<u>\$ 119,965</u>	<u>\$ 186,329</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not-overdue	\$ 119,490	\$ 65,022	\$ 186,342	\$ 43,363
1 to 90 days	574	-	104	-
	<u>\$ 120,064</u>	<u>\$ 65,022</u>	<u>\$ 186,446</u>	<u>\$ 43,363</u>

The aforementioned aging analysis is based on the overdue days.

2. Account and note receivables as of December 31, 2021 and December 31, 20120 were from customer contracts. Account receivables (including note receivables) and the associated allowed made stood at NT\$ 274,045 and NT\$ \$947, respectively, on January 1, 2020.
3. 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, 2021 and 2020 are its book value.
4. The accounts receivable in the account list of The Company does not possess any collateral.
5. Please find Note 12 (2) for the relevant explanation about credit risk.

(3) Inventory

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for loss from price decline</u>	<u>Book value</u>
Raw materials	\$ 679,436	(\$ 4,823)	\$ 674,613
Material	98,053	( 984)	97,069
Work in process	205,764	( 963)	204,801
Finished products	94,860	( 1,223)	93,637
Merchandise inventory	12,820	( 684)	12,136
	<u>\$ 1,090,933</u>	<u>(\$ 8,677)</u>	<u>\$ 1,082,256</u>

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for loss from price decline</u>	<u>Book value</u>

Raw materials	\$	737,968	(\$	4,781)	\$	733,187
Material		99,717	(	290)		99,427
Work in process		237,433	(	987)		236,446
Finished products		107,662	(	10,725)		96,937
Merchandise inventory		21,150	(	6,495)		14,655
	\$	<u>1,203,930</u>	(\$	<u>23,278</u> )	\$	<u>1,180,652</u>

The cost of inventory recognized as expense of The Company 2021 and 2020:

		<u>2021</u>		<u>2020</u>
Cost of inventory sold	\$	2,539,574	\$	2,786,998
Loss on inventory falling price (gain from price recovery)	(	14,601)		18,863
Inventory disposition losses		<u>11,929</u>		<u>19,418</u>
	\$	<u>2,536,902</u>	\$	<u>2,825,279</u>

In 2021, the inventories which recognized falling price losses in the previous year were successively sold or disposed of, and were recognized as gains from price recovery of inventory.

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

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Listed and emerging stocks	\$ 523,180	\$ 277,263
Non-listed shares	<u>29,100</u>	<u>121,300</u>
	552,280	398,563
Evaluation adjustment	<u>644,858</u>	<u>326,714</u>
	<u>\$ 1,197,138</u>	<u>\$ 725,277</u>

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, 2021 and 2020 are its book value.
2. In March 2021, capital reduction and refund of the Group's investment in financial assets measured at fair value through other comprehensive income amounted to NT\$9,000.
3. The company sold investment securities with fair values of NT\$924,534 and NT\$323,188 in 2021 and 2020 respectively, and recognized as disposal gains of NT\$635,965 and NT\$193,183 respectively under retained earnings. The effect of related transactions on alternative minimum tax was NT\$31,113 in 2021; there were no related transactions in 2020.
4. The Company purchased equity instruments for an investment amounts of NT\$ 451,286 and NT\$ 248,964 in 2021 and 2020, respectively.

5. The details of financial assets at fair value through other comprehensive income which recognized in income and comprehensive income are as follows:

<u>Item</u>	<u>2021</u>	<u>2020</u>
<u>Equity instruments</u>		
Recognized in comprehensive income of changes in fair value.	\$ 922,996	\$ 359,223
The accumulated profits change to retained earnings due to de-recognition (post-tax profit or loss)	\$ 604,852	\$ 193,183
Recognized as dividend in income in profit.		
The party still in possession at the end of this term.	\$ 3,321	\$ 5,873
Delisted in the current period.	1,970	2,287
	<u>\$ 5,291</u>	<u>\$ 8,160</u>

(5) Investment under the equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Chunghwa Yuming Healthcare Co., Ltd. (Chunghwa Yuming)	\$ 327,436	\$ 361,076
Chunghwa Senior Care Co., Ltd. (Chunghwa Senior Care)	10,726	7,109
Chunghwa Holding Co.,Ltd (Chunghwa Holding)	1,306,358	1,151,760
Tairung Development Co., Ltd. (Tairung Development)	84,482	79,660
Affiliate business:		
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	875,252	547,171
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	415,400	396,549
PHERMPEP CO., LTD. (PHERMPEP)	21,215	19,765
	<u>3,040,869</u>	<u>2,563,090</u>
Less: Treasury stock — company shares held by its subsidiaries	( 4,391)	( 4,391)
	<u>\$ 3,036,478</u>	<u>\$ 2,558,699</u>

1. Subsidiary

For more details of the information of the subsidiaries, please refer to Note 4 (3) of the Company's Consolidated Financial Report, 2021.

## 2. Affiliate business

(1) The basic information of the important associate is as follows:

<u>Company name</u>	<u>Major places of business</u>	<u>Ratio of Shareholding</u>		<u>Nature of relationship</u>	<u>Measuring method</u>
		<u>December 31, 2021</u>	<u>December 31, 2020</u>		
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Taiwan	27.82%	22.35%	Affiliate business	Equity method
SINO-JAPAN CHEMICAL., CO., LTD	Taiwan	21.99%	21.99%	Affiliate business	Equity method
PHERMPEP CO., LTD.	Taiwan	44.85%	46.00%	Affiliate business	Equity method

(2) Financial information of the Company's major associates is summarized as follows:

### Balance Sheet

	<u>Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 1,342,252	\$ 986,712
Non-Current assets	3,032,440	2,157,555
Current liabilities	( 629,291)	( 395,235)
Non-current liabilities	( 851,317)	( 247,930)
Total net assets	<u>\$ 2,894,084</u>	<u>\$ 2,501,102</u>
Book value of the associate	<u>\$ 875,252</u>	<u>\$ 547,171</u>
	<u>SINO-JAPAN CHEMICAL., CO., LTD</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 2,153,788	\$ 1,900,948
Non-Current assets	799,782	825,140
Current liabilities	( 507,004)	( 418,209)
Non-current liabilities	( 227,902)	( 246,569)
Total net assets	<u>\$ 2,218,664</u>	<u>\$ 2,061,310</u>
Book value of the associate	<u>\$ 415,400</u>	<u>\$ 396,549</u>
	<u>PHERMPEP CO., LTD.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 45,309	\$ 39,365
Non-Current assets	17,661	17,317
Current liabilities	( 11,629)	( 9,436)
Non-current liabilities	-	( 1,345)
Total net assets	<u>\$ 51,341</u>	<u>\$ 45,901</u>
Book value of the associate	<u>\$ 21,215</u>	<u>\$ 19,765</u>

### Comprehensive income statement

	<u>Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd.</u>	
	<u>2021</u>	<u>2020</u>
Income	<u>\$ 1,896,625</u>	<u>\$ 1,515,144</u>
Current year profit of continuing business units	<u>\$ 400,778</u>	<u>\$ 534,567</u>
Other comprehensive income (post-tax profit or loss)	<u>111,244</u>	<u>13,683</u>
Current period other comprehensive income (Gross)	<u>\$ 512,022</u>	<u>\$ 548,250</u>
Dividends received from affiliated subsidiaries	<u>\$ 28,868</u>	<u>\$ 13,865</u>

	<u>SINO-JAPAN CHEMICAL., CO., LTD</u>	
	<u>2021</u>	<u>2020</u>
Income	<u>\$ 3,217,077</u>	<u>\$ 2,597,965</u>
Current year profit of continuing business units	<u>\$ 353,598</u>	<u>\$ 276,501</u>
Other comprehensive income (post-tax profit or loss)	<u>1,649</u>	<u>( 6,192)</u>
Current period other comprehensive income (Gross)	<u>\$ 355,247</u>	<u>\$ 270,309</u>
Dividends received from affiliated subsidiaries	<u>\$ 43,510</u>	<u>\$ 90,551</u>

	<u>PHERMPEP CO., LTD.</u>	
	<u>2021</u>	<u>2020</u>
Income	<u>\$ 40,820</u>	<u>\$ 34,830</u>
Current net losses from continuing operations	<u>(\$ 14,139)</u>	<u>(\$ 25,511)</u>
Other comprehensive income (post-tax profit or loss)	<u>-</u>	<u>-</u>
Current period other comprehensive income (Gross)	<u>(\$ 14,139)</u>	<u>(\$ 25,511)</u>

In 2021 and 2020, no dividend was received from Sinochem Health.

### 3. Share of the income from subsidiaries and associates

<u>Name of affiliated enterprises</u>	<u>2021</u>	<u>2020</u>
Chunghwa Yuming Healthcare Co., Ltd.	<u>(\$ 36,949)</u>	<u>(\$ 4,175)</u>
Chunghwa Senior Care Co., Ltd.	<u>3,617</u>	<u>7,145</u>
Chunghwa Holding	<u>190,883</u>	<u>69,178</u>
Tairung Development Co., Ltd.	<u>3,982</u>	<u>4,461</u>
PHERMPEP CO., LTD.	<u>( 6,636)</u>	<u>( 11,460)</u>
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	<u>89,426</u>	<u>110,774</u>
SINO-JAPAN CHEMICAL., CO., LTD	<u>61,999</u>	<u>58,609</u>
	<u>\$ 306,322</u>	<u>\$ 234,532</u>

- From January 1 to December 31, 2021 and January 1 to December 31, 2020, the Group obtained CCSB's shareholdings of NT\$267,557 and NT\$0, respectively from the open market.
- Phermpep increased cash capital by NT\$20,000 in April 2021, and the Group increased its capital by NT\$8,280. Since the capital increase was not based on the shareholder equity ratio, the Group's shareholder equity ratio dropped to 44.85%.
- The investment made by The Company to CCSB is with public offer and the fair values on December 31, 2021 and 2020 are, respectively, NT\$ 1,400,222 and NT\$ 1,065,860.
- The company holds 27.82% equity of Chunghwa Chemical Synthesis Biotech Co., Ltd.

(CCSB) and is the largest shareholder of CCSB. Considering the participation of other shareholders in the previous shareholders meeting of CCSB and the record of voting rights casted on major proposals, it indicates that the Group is incapable of leading relevant activities. Therefore, it has no control over CCSB, but a significant influence.

7. The company holds 44.85% equity of PHERMPEP Co., Ltd. and is the largest shareholder of PHERMPEP. Considering that the remaining 55.15% equity of PHERMPEP is held by other investors, the voting rights of minority acting together exceeds the company, which indicates that the company is incapable of leading relevant activities. Therefore, it has no control over PHERMPEP, but a significant influence.

(6) Property, plant, and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Transport equipment</u>	<u>Uncompleted construction and equipment pending inspection</u>	<u>Others</u>	<u>Total</u>
January 1, 2021							
Cost	\$ 881,917	\$ 3,149,920	\$ 957,449	\$ 21,106	\$ 108,667	\$ 652,164	\$ 5,771,223
Accumulated depreciation	-	( 1,298,099)	( 451,380)	( 13,522)	-	( 407,527)	( 2,170,528)
	<u>\$ 881,917</u>	<u>\$ 1,851,821</u>	<u>\$ 506,069</u>	<u>\$ 7,584</u>	<u>\$ 108,667</u>	<u>\$ 244,637</u>	<u>\$ 3,600,695</u>
2021							
January 1	\$ 881,917	\$ 1,851,821	\$ 506,069	\$ 7,584	\$ 108,667	\$ 244,637	\$ 3,600,695
Additions	-	3,104	19,581	500	88,731	36,269	148,185
The current transfer	-	37,466	20,111	451	( 99,178)	41,150	-
Disposition	-	-	-	( 1,021)	-	-	( 1,021)
Depreciation expenses	-	( 81,756)	( 53,324)	( 1,616)	-	( 42,214)	( 178,910)
December 31	<u>\$ 881,917</u>	<u>\$ 1,810,635</u>	<u>\$ 492,437</u>	<u>\$ 5,898</u>	<u>\$ 98,220</u>	<u>\$ 279,842</u>	<u>\$ 3,568,949</u>
December 31, 2021							
Cost	\$ 881,917	\$ 3,189,476	\$ 980,008	\$ 20,307	\$ 98,220	\$ 724,669	\$ 5,894,597
Accumulated depreciation	-	( 1,378,841)	( 487,571)	( 14,409)	-	( 444,827)	( 2,325,648)
	<u>\$ 881,917</u>	<u>\$ 1,810,635</u>	<u>\$ 492,437</u>	<u>\$ 5,898</u>	<u>\$ 98,220</u>	<u>\$ 279,842</u>	<u>\$ 3,568,949</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Transport</u>	<u>Uncompleted</u>	<u>Others</u>	<u>Total</u>



(7) Lease transaction - lessee

1. Underlying assets leased by the Company include land lots and business vehicles with lease term ranged one to ten years. Lease agreements were negotiated individually with various terms and conditions. There are specific no restrictions specified, except that the leased assets cannot be used as loan guarantee.
2. Carrying value and recognized amortization for right-of-use assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 26,728	\$ 30,069
Delivery facilities (business vehicles)	<u>5,572</u>	<u>2,740</u>
	<u>\$ 32,300</u>	<u>\$ 32,809</u>

	<u>2021</u>	<u>2020</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 3,341	\$ 3,341
Delivery facilities (business vehicles)	<u>2,090</u>	<u>267</u>
	<u>\$ 5,431</u>	<u>\$ 3,608</u>

3. The Group's right-of-use assets in 2021 and 2020 increased by NT\$4,921 and NT\$0 respectively.
4. Profit and loss items relating to lease contracts:

	<u>2021</u>	<u>2020</u>
<u>Profit and loss items with current impacts</u>		
Interest expense on the lease liability	\$ 475	\$ 458
Low-value leases expense	2,238	2,796
Short-term lease expense	8,425	1,452

5. The company's total lease cash outflows were NT\$16,389 and NT\$8,112 in 2021 and 2020, respectively.
6. Options to extend or terminate lease
  - (1) Options to extend lease term are included in land leases for office buildings, which have helped increase operation agility for the Company.
  - (2) Upon determining lease term, the Company factored in all facts and condition that would produce future economy incentives. Lease term will be reassessed in the case of significant events when the decision of whether to exercise the extension option or not exercise the termination option is affected.
  - (3) The assessment of exercising the extension option causing the right-of-use assets and lease liabilities increased by NT\$13,122 and NT\$13,122 in 2021 and 2020, respectively.

(8) Shot-term borrowings

<u>December 31, 2021</u>	<u>December 31, 2020</u>
--------------------------	--------------------------

Financial institution loan		
Secured loans	\$ 560,000	\$ 545,000
Credit loan	125,000	275,000
Material procurement loan	43,604	155,330
Non-financial institution loan	<u>12,060</u>	<u>11,953</u>
	<u>\$ 740,664</u>	<u>\$ 987,283</u>
Interest rate collars	0.845%~1.10%	0.845%~1.10%

Except those mentioned in Note 8, as of December 31, 2021 and December 31, 2020, the Group has issued a NT\$350,000 promissory note as short-term loan guarantee.

(9) Short-term notes payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial papers	<u>\$ 100,000</u>	<u>\$ 150,000</u>
Interest rate collars	1.00%	1.028%~1.05%

The aforementioned short-term bills are issued under bills finance company guarantee for short-term funding. As of December 31, 2021 and December 31, 2020, the Group issued promissory notes of NT\$100,000 and NT\$200,000, respectively as guarantees for the short-term bills payable.

(10) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured loans	\$ 931,000	\$ 618,000
Credit loan	<u>766,000</u>	<u>1,260,000</u>
	<u>\$ 1,697,000</u>	<u>\$ 1,878,000</u>
Interest rate collars	1.095%~1.40%	1.05%~1.645%

1. The re-payment term for unsecured loan and secured loan will be due from 2022 to 2024.
2. The details of the undrawn loan amount of The Company are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating annual rate		
Maturing in one year or less	\$ 2,058,040	\$ 1,873,480
Mature beyond one year	<u>543,000</u>	<u>312,000</u>
	<u>\$ 2,601,040</u>	<u>\$ 2,185,480</u>

By December 31, 2021 and 2020, the cashier's checks have been issued, respectively, with NT\$1,410,000 and NT\$1,650,000 as collateral for the long-term loan amounts as stated.

3. Please refer to Note 8 for description of collateral.

(11) 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of the defined benefit obligations	(\$ 333,075)	(\$ 366,068)
The fair value of plan assets	<u>286,361</u>	<u>281,124</u>
Net defined benefit liability (listing as non-liquidity liability)	<u>(\$ 46,714)</u>	<u>(\$ 84,944)</u>

- (3) The changes in net defined benefit liabilities are as follows:

	<u>Present value of the defined benefit obligations</u>	<u>The fair value of plan assets</u>	<u>Net determined benefit liability</u>
2021			
Balance at January 1	(\$ 366,068)	\$ 281,124	(\$ 84,944)
Current service cost	( 2,835)	-	( 2,835)
Interest expenses (income)	<u>( 1,098)</u>	<u>843</u>	<u>( 255)</u>
	<u>( 370,001)</u>	<u>281,967</u>	<u>( 88,034)</u>
Revaluation amount:			
Assumption of change in Influence value for demography.	635	-	635
The effect of changes in financial assumptions	10,335	-	10,335
Experience adjustments	<u>10,194</u>	<u>4,259</u>	<u>14,453</u>
	<u>21,164</u>	<u>4,259</u>	<u>25,423</u>
The appropriation of pension fund	-	15,897	15,897
Pension payments	<u>15,762</u>	<u>( 15,762)</u>	<u>-</u>
Balance at December 31	<u>(\$ 333,075)</u>	<u>\$ 286,361</u>	<u>(\$ 46,714)</u>
	<u>Present value of the defined benefit obligations</u>	<u>The fair value of plan assets</u>	<u>Net determined benefit liability</u>
2020			
Balance at January 1	(\$ 368,273)	\$ 272,927	(\$ 95,346)
Current service cost	( 3,114)	-	( 3,114)
Interest expenses (income)	<u>( 2,357)</u>	<u>1,747</u>	<u>( 610)</u>
	<u>( 373,744)</u>	<u>274,674</u>	<u>( 99,070)</u>

Revaluation amount:			
Assumption of change in Influence value for demography.	-	-	-
The effect of changes in financial assumptions	( 7,845)	-	( 7,845)
Experience adjustments	( 4,507)	9,454	4,947
	( 12,352)	9,454	( 2,898)
The appropriation of pension fund	-	17,024	17,024
Pension payments	20,028	( 20,028)	-
Balance at December 31	<u>(\$ 366,068)</u>	<u>\$ 281,124</u>	<u>(\$ 84,944)</u>

(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, 2021 and 2020.

(5) Assumptions for the actuation of pension funds are summarized as follows:

	<u>2021</u>	<u>2020</u>
Discounted rate	<u>0.64%</u>	<u>0.30%</u>
Future salary increases rate	<u>1.00%</u>	<u>1.00%</u>

Future mortality assumptions are based on the sixth Taiwan Standard Ordinary Experience Life Table.

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	<u>Discounted rate</u>		<u>Future salary increases rate</u>	
	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>
December 31, 2021				
The impact on the present value of the defined benefit obligations	<u>(\$ 3,303)</u>	<u>\$15,378</u>	<u>\$15,237</u>	<u>(\$ 3,307)</u>
December 31, 2020				
The impact on the present value of the defined benefit obligations	<u>(\$ 9,590)</u>	<u>\$19,120</u>	<u>\$18,885</u>	<u>(\$ 9,579)</u>

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 NT\$15,897 to the pension plan in 2022.

(7) As of December 31, 2021, the weighted average duration of the pension plan was for 6 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 2021 and 2020, the net pension cost recorded by the company according to the above mentioned pension plans are NT\$22,018 and NT\$21,215 respectively.

(12) Capital stock

1. As of December 31, 2021, the Company’s authorized capital was NT\$5,000,000, consisting of 298,081 thousand shares and the Company’s paid-up capital was NT\$2,980,811 with a par value of NT\$10 per share.
2. The number initial and ending outstanding shares of The Company in 2021 and 2020 are 298,081,000 shares.
3. Tairung Development Co., Ltd. possessed 828,000 shares of the Company by December 31, 2021 and 2010 with book value both at NT\$33.89 and the fair value of each share are, respectively, NT\$22.65 and NT\$123.60.
4. The shares possessed by the associate of the Company by December 31, 2021 and 2020 are, respectively, 42,053,000 and 25,294,000 shares.

(13) 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.

(14) 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 21, 2021 and May 27, 2020, the disposition of earnings of the Company for 2020 and 2019 are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Dividends per share (\$)</u>	<u>Amount</u>	<u>Dividends per share (\$)</u>
Legal reserve	\$ 74,563	-	\$ 38,469	-
Cash dividends	<u>298,081</u>	1.0	<u>238,465</u>	0.8
	<u>\$ 372,644</u>		<u>\$ 276,934</u>	

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 18, 2022 to appropriate the 2021 earnings as follows:

	<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (\$)</u>
Legal reserve	\$ 114,844	-
Cash dividends	<u>268,273</u>	0.9
	<u>\$ 383,117</u>	

The distribution status of the earnings can be inquired on “Market observation post system” of Taiwan Stock Exchange Corporation.

(15) Other equity

	<u>Unrealized loss of profit valuation</u>	<u>Foreign-currency translations</u>	<u>Total</u>
January 1, 2021	\$ 311,480	(\$ 85,549)	\$ 225,931
-The Company	922,996	( 7,583)	915,413
-Subsidiary and associate	1,489	( 572)	917
-Valuation adjustment changes to retained earnings	<u>( 604,852)</u>	<u>-</u>	<u>( 604,852)</u>
December 31, 2021	<u>\$ 631,113</u>	<u>(\$ 93,704)</u>	<u>\$ 537,409</u>
	<u>Unrealized loss of profit valuation</u>	<u>Foreign-currency translations</u>	<u>Total</u>
January 1, 2020	\$ 146,049	(\$ 97,944)	\$ 48,105
-The Company	359,223	11,829	371,052
-Subsidiary and associate	( 609)	566	( 43)
-Valuation adjustment changes to retained earnings	<u>( 193,183)</u>	<u>-</u>	<u>( 193,183)</u>
December 31, 2020	<u>\$ 311,480</u>	<u>(\$ 85,549)</u>	<u>\$ 225,931</u>

(16) Operating revenue

	<u>2021</u>	<u>2020</u>
Revenue from sales contract	<u>\$ 3,407,463</u>	<u>\$ 3,857,241</u>

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:

		<u>China and other</u>	
<u>2021</u>	<u>Taiwan region</u>	<u>regions</u>	<u>Total</u>
Revenue from sales contract	<u>\$ 3,075,955</u>	<u>\$ 331,508</u>	<u>\$ 3,407,463</u>
		<u>China and other</u>	
<u>2020</u>	<u>Taiwan region</u>	<u>regions</u>	<u>Total</u>
Revenue from sales contract	<u>\$ 3,432,099</u>	<u>\$ 425,142</u>	<u>\$ 3,857,241</u>

2. Contractual liability

The relevant contractual liability recognized as the contract with a customer is as follows:

	<u>December 31,</u>	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>January 1, 2020</u>
Contractual liability- Sales contract of medicine	<u>\$ 11,479</u>	<u>\$ 1,529</u>	<u>\$ 1,499</u>

3. Current income recognized from beginning lease liability in January 1 to December 31, 2021 and 2020 were NT\$ 1,529 and NT\$ 1,499, respectively.

(17) Interest revenue

	<u>2021</u>	<u>2020</u>
Interest from bank deposits	\$ 12	\$ 24
Other interest incomes	<u>4,156</u>	<u>5,310</u>
	<u>\$ 4,168</u>	<u>\$ 5,334</u>

(18) Other income

	<u>2021</u>	<u>2020</u>
Dividend income	\$ 5,291	\$ 8,160
Sundry income	<u>72,491</u>	<u>20,152</u>
	<u>\$ 77,782</u>	<u>\$ 28,312</u>

(19) Other profits and losses

	<u>2021</u>	<u>2020</u>
Gain in disposal of real estate, plant buildings, equipment & facilities	\$ 436	\$ 18
Net foreign exchange profit (loss)	<u>(2,128)</u>	<u>12,497</u>
	<u>(\$ 1,692)</u>	<u>\$ 12,515</u>

(20) Employees' welfare and depreciation, amortization expenses

Functionality	2021		
	Allocated as operating cost	Employee expenses	Total
Characteristics			
Employee benefits expenses			
Salaries and wages	\$ 317,758	\$ 284,205	\$ 601,963
Labor insurance and national health insurance	35,351	23,295	58,646
Pension expenses	13,359	11,749	25,108
Remuneration to Directors	-	10,542	10,542

Other employee benefits expenses	20,497	15,904	36,401
Depreciation expenses	127,945	56,396	184,341
Amortization expenses	2,884	3,400	6,284
Functionality	2020		
	Allocated as operating cost	Employee expenses	Total
Characteristics			
Employee benefits expenses			
Salaries and wages	\$ 355,036	\$ 277,753	\$ 632,789
Labor insurance and national health insurance	32,708	20,438	53,146
Pension expenses	13,092	11,847	24,939
Remuneration to Directors	-	9,662	9,662
Other employee benefits expenses	21,542	14,533	36,075
Depreciation expenses	123,199	51,345	174,544
Amortization expenses	2,710	3,040	5,750

1. Total number of people employed for the current and previous years were 838 and 849, respectively, of which four and five members were independent directors.
2. The additional disclosures below were required to Taiwan-Exchange listed companies:
  - (1) Average employee benefit expense for the current year was NT\$ 866 and NT\$ 885 for the previous year.
  - (2) The average employee salary expense for the current year was NT\$ 722 for the current year and NT\$ 750 for the previous year.
  - (3) The average salary adjustment was -4%.
  - (4) The Company did not have supervisors in 2021 and 2020, therefore, there was no supervisor-related remuneration.
3. 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%.
4. (1) In 2021 and 2020, the employee compensation was NT\$55,000, while the remuneration for directors was NT\$6,000, which were recognized as salary expenses.
  - (2) The estimated recognition of 2021 is based on the profitability of the year, of which 7.95% for employee bonus and 0.87% 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\$55,000 and \$6,000 in 2021 and 2020 resolved by the Board of Directors was same as the amount reported in the 2021 and 2020 financial statements.
5. The company has an Audit Committee organized in accordance with the company's Articles of Incorporation. The Audit Committee evaluates the remuneration policies and systems of the company's directors and managers in a professional and objective position, performs its duties faithfully in due diligence, and makes suggestions to the board of directors for reference in decision-making.

The company's remuneration related systems and regulations include:

- (1) Management of remuneration to directors;
- (2) Management of remuneration to employees;

- (3) Management of employee performance evaluation;
- (4) The test run for financial incentives and remuneration to the management;
- (5) Employee performance evaluation bonus;
- 6. Information on the employee and remuneration for directors as approved by the board of directors can be found on the Market Observation Post System.

(21) Financial costs

	<u>2021</u>	<u>2020</u>
Interest expenses:		
Bank loan	\$ 30,183	\$ 36,704
Non-financial institution loan	121	111
Other Interest expenses	475	458
	<u>\$ 30,779</u>	<u>\$ 37,273</u>

(22) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Current income tax	\$ 58,660	\$ 87,998
Additional levy on undistributed earnings	16,928	-
Overestimated income tax in prior periods	(847)	(5,172)
Total Current income tax	74,741	82,826
Deferred income tax:		
Origin and reversal of temporary differences	38,784	(2,003)
Total deferred income tax	38,784	(2,003)
Income tax expenses	<u>\$ 113,525</u>	<u>\$ 80,823</u>

(2) Income tax amounts relating to other comprehensive profit and loss:

	<u>2021</u>	<u>2020</u>
Exchange differences in overseas operating institutions	(\$ 1,896)	\$ 2,957
Defined benefit obligation revaluation amount and volume	5,085	(579)
	<u>\$ 3,189</u>	<u>\$ 2,378</u>

(3) Debit/credit of income tax recognized directly in equity:

	<u>2021</u>	<u>2020</u>
The effect of disposal of financial assets measured at fair value through other comprehensive income on alternative minimum tax	\$ 31,113	-

2. Relationship between income tax expense and accounting profit:

	<u>2021</u>	<u>2020</u>
Income tax derived by applying the statutory	\$ 126,206	\$ 127,638

tax rate to pre-tax net profit

Tax-free income by Income Tax Law	(	23,691)	(	33,934)
The unrealized income according to the tax act.	(	5,071)	(	7,709)
Additional levy on undistributed earnings		16,928		-
Overestimated income tax in prior periods	(	847)	(	5,172)
Incometaxexpenses		<u>\$ 113,525</u>		<u>\$ 80,823</u>

3. Deferred income tax assets or liabilities arising from temporary differences:

	<u>January 1</u>	<u>2021</u> <u>Recognized in the</u> <u>profit or loss</u>	<u>Recognized in the</u> <u>other</u> <u>comprehensive</u> <u>profit of loss</u>	<u>December 31</u>
Timing difference:				
- Deferred income tax assets				
Inventory valuation and obsolescence losses	\$ 4,656	(\$ 2,920)	\$ -	\$ 1,736
Transfinite number of allowance for doubtful accounts loss	9,448	( 1,789)	-	7,659
Unrealized gross profit	26,458	297	-	26,755
Net determined benefit liability	14,701	( 2,561)	-	12,140
Investment loss of equity method	19,191	603	-	19,794
Leave encashment	5,444	( 9)	-	5,435
Defined benefit obligation revaluation amount and volume	17,324	-	( 5,085)	12,239
Translation adjustment of the foreign operation	11,658	-	1,896	13,554
Others	<u>1,767</u>	<u>( 15)</u>	<u>-</u>	<u>1,752</u>
Subtotal	<u>\$110,647</u>	<u>(\$ 6,394)</u>	<u>(\$ 3,189)</u>	<u>\$101,064</u>
- Deferred income tax liabilities				
Income of investment under the equity method	(\$ 66,104)	(\$ 32,517)	\$ -	(\$ 98,621)
Revaluation increment of land	( 43,862)	-	-	( 43,862)
Unrealized exchange gain	<u>( 1,204)</u>	<u>127</u>	<u>-</u>	<u>( 1,077)</u>
Subtotal	<u>(\$111,170)</u>	<u>(\$ 32,390)</u>	<u>\$ -</u>	<u>(\$143,560)</u>
	<u>(\$ 523)</u>	<u>(\$ 38,784)</u>	<u>(\$ 3,189)</u>	<u>(\$ 42,496)</u>

	<u>January 1</u>	<u>2020</u> <u>Recognized in the</u> <u>profit or loss</u>	<u>Recognized in the</u> <u>other</u> <u>comprehensive</u> <u>profit of loss</u>	<u>December 31</u>
Timing difference:				
- Deferred income tax assets				
Inventory valuation and obsolescence losses	\$ 884	\$ 3,772	\$ -	\$ 4,656
Transfinite number of allowance for doubtful	10,814	( 1,366)	-	9,448

accounts loss				
Unrealized gross profit	18,705	7,753	-	26,458
Net determined benefit liability	17,361	( 2,660)	-	14,701
Investment loss of equity method	18,328	863	-	19,191
Leave encashment	4,492	952	-	5,444
Defined benefit obligation revaluation amount and volume	16,745	-	579	17,324
Translation adjustment of the foreign operation	14,615	-	( 2,957)	11,658
Others	2,030	( 263)	-	1,767
Subtotal	<u>\$103,974</u>	<u>\$ 9,051</u>	<u>(\$ 2,378)</u>	<u>\$110,647</u>
- Deferred income tax liabilities				
Income of investment under the equity method	(\$ 59,825)	(\$ 6,279)	\$ -	(\$ 66,104)
Revaluation increment of land	( 43,862)	-	-	( 43,862)
Unrealized exchange gain	( 435)	( 769)	-	( 1,204)
Subtotal	<u>(\$104,122)</u>	<u>(\$ 7,048)</u>	<u>\$ -</u>	<u>(\$111,170)</u>
Total	<u>(\$ 148)</u>	<u>\$ 2,003</u>	<u>(\$ 2,378)</u>	<u>(\$ 523)</u>

4. Deductible temporary differences not recognized as deferred tax assets:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ 16,803</u>	<u>\$ 16,803</u>

5. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2019.

(23) Earnings per share

		<u>2021</u>	<u>Earnings per share</u>
	<u>After-tax amount</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>(NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 517,508	297,253	\$ 1.74
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 517,508	297,253	
The impact of potential diluting common stock: remuneration to employees	-	2,845	
Net income attributable to the parent company and impact of potential common stock	\$ 517,508	300,098	\$ 1.72
		<u>2020</u>	<u>Earnings per share</u>
	<u>After-tax amount</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>(NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 557,365	297,253	\$ 1.88
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 557,365	297,253	
The impact of potential diluting common stock: remuneration to employees	-	2,596	
Net income attributable to the parent company and impact of potential common stock	\$ 557,365	299,849	\$ 1.86

(24) Supplementary information about the cash flows

Investing activities partially funded with cash:

	<u>2021</u>	<u>2020</u>
Fixed asset purchases	\$ 148,185	\$ 226,804
Less: Initial prepayments for business facilities	( 13,421)	( 21,436)
Add: Ending prepayment for business facilities	9,140	13,421
Add: beginning balance of equipment amount payable	27,495	37,124
Less: Ending payment payable for business facilities	( 22,102)	( 27,495)
Cash Paid for the Period	\$ 149,297	\$ 228,418

(25) Changes in liability from financial activities.

	<u>Shot-term borrowings</u>	<u>Short-term notes payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Total liabilities from financial activities.</u>
January 1, 2021	\$ 987,283	\$ 150,000	\$ 1,878,000	\$ 33,127	\$500	\$ 3,048,910
Borrowing	477,239	130,000	450,000	4,921	-	1,062,160
Repayment	( 723,858)	( 180,000)	( 631,000)	( 5,251)	-	( 1,540,109)
December 31, 2021	<u>\$ 740,664</u>	<u>\$ 100,000</u>	<u>\$ 1,697,000</u>	<u>\$ 32,797</u>	<u>\$500</u>	<u>\$ 2,570,961</u>

	<u>Shot-term borrowings</u>	<u>Short-term notes payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Total liabilities from financial activities.</u>
January 1, 2020	\$1,113,371	\$ -	\$ 2,038,000	\$ 35,219	\$530	\$ 3,187,120
Borrowing	488,720	200,000	208,000	-	-	896,720
Repayment	( 614,808)	( 50,000)	( 368,000)	( 3,406)	( 30)	( 1,036,244)
Changes from non-cash items	-	-	-	1,314	-	1,314
December 31, 2020	<u>\$ 987,283</u>	<u>\$ 150,000</u>	<u>\$ 1,878,000</u>	<u>\$ 33,127</u>	<u>\$500</u>	<u>\$ 3,048,910</u>

## 7. Related party transactions

### (1) Name and relationship of related parties

<u>Name</u>	<u>Relationship with The Company</u>
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
PHERMPEP CO., LTD. (PHERMPEP)	The associate of The Company
Wuxi Jirui Medical Technology Co., Ltd. (Wuxi Jirui)	The associate of the subsidiaries
Chunghwa Yuming Healthcare Co., Ltd. (Chunghwa Yuming)	Subsidiary of the Bank
Chunghwa Senior Care Co., Ltd. (Chunghwa Senior Care)	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.
Ma Jia De Enterprise Co., Ltd. (Ma Jia De)	The individual controlled by major management team of The Company.
MegaPro Biomedical Co., Ltd.	Other related parties

### (2) Major transactions with related parties

#### 1. Operating revenue

	<u>2021</u>	<u>2020</u>
Merchandising:		
Subsidiaries-		
Chunghwa Yuming Healthcare Co., Ltd.	\$ 2,085,246	\$ 2,279,548
One of the individuals controlled by the major management team		
HU-YU	212,757	294,014
	<u>\$ 2,298,003</u>	<u>\$ 2,573,562</u>

- (1) The transaction price which The Company offers to the subsidiary is based on the quotation in the purchase agreement signed by both parties, and the payment is 150 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

	<u>2021</u>	<u>2020</u>
Purchase of goods:		
Affiliate business	\$ 67,442	\$ 96,171
Subsidiaries	<u>6,895</u>	<u>11,907</u>
	<u>\$ 74,337</u>	<u>\$ 108,078</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable and notes:		
Subsidiaries-		
Chunghwa Yuming Healthcare Co., Ltd.	\$ 1,462,386	\$ 1,564,678
One of the individuals controlled by the major management team		
HU-YU	<u>148,376</u>	<u>200,168</u>
	1,610,762	1,764,846
Less: allowance for bad debt	<u>( 22,236)</u>	<u>( 30,025)</u>
	<u>\$ 1,588,526</u>	<u>\$ 1,734,821</u>

- (1) The payment term of the Company for general customers is 120 days to 180 days, for the subsidiary is 150 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"
- (2) Account and note receivables as of December 31, 2021 and 2020 were from customer contracts. Account receivables (including note receivables) and the associated allowance made stood at NT\$ 1,588,580 and NT\$ 35,489, respectively, on January 1, 2020.
- (3) 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, 2021 and 2020 are its book value.

4. Accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 1,426	\$ 2,063
Affiliate business	<u>24,119</u>	<u>42,094</u>

\$ 25,545    \$ 44,157

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
A. Related party of the loan funds.		
One of the individuals controlled by the major management team		
HU-YU	\$ 212,697	\$ 220,379
Less: allowance for bad debt	( 31,904)	( 33,057)
	<u>\$ 180,793</u>	<u>\$ 187,322</u>
	<u>2020</u>	<u>2019</u>
B. Interest income:		
One of the individuals controlled by the major management team		
HU-YU	\$ 4,156	\$ 5,310

(2) Interest receivable, rent receivable and collection and payment transfer.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Interest receivable, rent receivable and collection and payment transfer.		
Affiliate business	\$ 1,107	\$ 1,125
Subsidiaries	3,287	3,365
	<u>\$ 4,394</u>	<u>\$ 4,490</u>

6. Rent revenue

	<u>2021</u>	<u>2020</u>
Rent revenue:		
Subsidiaries-		
Chunghwa Yuming Healthcare Co., Ltd.	\$ 4,560	\$ 4,560
Others	168	153
The individual controlled by major management team of The Company	<u>38</u>	<u>38</u>
	<u>\$ 4,766</u>	<u>\$ 4,751</u>

7. Provide the endorsement guarantee status of the related party

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
One of the individuals controlled by the major management team		
HU-YU	\$ 212,000	\$ 262,000

8. Obtain the financial assets (capital increase by Cash)

	<u>2021</u>	
<u>Account titles in book</u>	<u>Number of shares traded (thousand)</u>	<u>Object of transaction</u>
		<u>Prices of acquisitions</u>

Affiliate business-		<u>shares)</u>	
PHERMPEP CO., LTD.	Investment under the equity method	828	CCPC Health Biological Technology Co., Ltd. <u>\$ 8,280</u>
Other related parties-			
MegaPro Biomedical Co., Ltd.	Financial assets at fair value through other comprehensive profit or loss	338	MegaPro Biomedical Co., Ltd. <u>\$ 11,846</u>

#### 9. Others.

- (1) Service income received from administrative supports rendered to certain subsidiaries in 2021 and 2020 were NT\$ 4,262 and NT\$ 4,223, respectively, and collected fully.
- (2) The company sold its proprietary technology to Suzhou Chunghwa Chemical Pharmaceutical Industrial Co., Ltd. (CCPC) for an amount of NT\$4,743 in 2020 with the payment collected in full.
- (3) The company collected royalty fees for an amount of NT\$1,417 and NT\$1,112, respectively, from PHERMPEP Co., Ltd. in 2021 and 2020.
- (4) By December 31, 2021, the Company committed to give the necessary assistance when the working capital of some subsidiaries is insufficient.

#### (3) Remuneration to key management

		<u>2021</u>		<u>2020</u>
Short-term employee benefits	\$	40,286	\$	41,273
Retirement benefits		976		811
	\$	<u>41,262</u>	\$	<u>42,084</u>

#### 8. Pledged assets

The Company's assets are used as collateral as follows:

<u>Asset Item</u>	<u>Book Value</u>		<u>Purpose of guarantee</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Time deposits (booked as financial assets measured at amortized cost – current)	\$ -	\$ 400	Bank performance bond note
Property, plant, and equipment	2,526,334	2,443,564	Long-term and short-term loan, purchase...etc.

#### 9. Significant contingent liabilities and unrecognized contractual commitments

##### (1) Contingencies

A lawsuit, claiming NT\$ 5,000, was filed by TSH Biopharm against the Company for patent infringement and fair dealing violation. The Company, after self-assessment, asserted no violation for the alleged claims. Subsequently, the lawsuit was dismissed by Intellectual Property Court in July, 2018. An appeal was filed to the collegiate bench of Intellectual Property Court by TSH Biopharm in August, 2018 and ruled in favor of the Company. TSH Biopharm Corporation filed an appeal to the Supreme Court, and our lawyers are making defense.

(2) Commitments

1. As the Group signed purchase contracts for machinery and equipment and plant construction, the unpaid contract prices as of December 31, 2021 and December 31, 2020 were \$29,921 and \$51,792 respectively.
2. The unused L/C balance as of December 31, 2021 and December 31, 2020 were \$6,078 and \$42,704 respectively.
3. The promissory notes issued as of December 31, 2021 and December 31, 2020 totaled \$1,860,000 and \$2,200,000 respectively.

10. Significantdisasterloss

No such event

11. Significantsubsequentevents

- (1) Please find Note 6(14)5 for explanation of the earnings distribution.
- (2) On March 8, 2022, the board of directors passed the issuance of common shares or domestic convertible bonds (including secured or unsecured convertible bonds) through private placement. The actual number of issued or convertible shares shall be submitted to the shareholders' meeting, and the board of directors are authorized to issue common shares of no more than 20% of the total number of issued shares (i.e. no more than 59,616,216 shares) via private placement, depending on the capital market conditions, and the issuance shall be within three times. As of March 29, 2022, the aforementioned private placement has not yet been resolved by the shareholders' meeting.

12. Others

(1) 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 2021 is the same as that in 2020, which is dedicated to maintaining the debt-to-capital ratio to 40% below. The debt-to-capital ratio of the Company in December 31, 2021 and 2020 is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total loan amount	\$ 2,537,664	\$ 3,015,283
Less: Cash and cash equivalent	( 110,272)	( 98,272)
Net debt	2,427,392	2,917,011
Total equity	<u>7,754,110</u>	<u>6,591,677</u>
Total capital	<u>\$ 10,181,502</u>	<u>\$ 9,508,688</u>

Liability/assets ratio	24%	31%
------------------------	-----	-----

(2) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive profit or loss		
Select the designated equity instrument investment.	\$ 1,197,138	\$ 725,277
The receivable of financial assets at amortized cost		
Cash and cash equivalents	110,272	98,272
Financial assets measured at the amortized cost	-	400
Notes receivable	162,923	158,250
Accounts receivable	1,610,548	1,806,237
Other receivables	215,278	214,362
Refundable deposits	6,447	2,964
	<u>\$ 3,302,606</u>	<u>\$ 3,005,762</u>
<u>Financial liabilities</u>		
Financial liability measured at the amortized cost		
Shot-term borrowings	\$ 740,664	\$ 987,283
Short-term notes payable	100,000	150,000
Accounts payable	306,439	368,146
Other payable	281,410	298,509
Deposits received	500	500
Long-term borrowings	1,697,000	1,878,000
	<u>\$ 3,126,013</u>	<u>\$ 3,682,438</u>
Lease liabilities	<u>\$ 32,797</u>	<u>\$ 33,127</u>

## 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:

	<u>December 31, 2021</u>		
	<u>Foreign currency</u>		<u>Book value(NTD)</u>
	<u>(NT\$ thousand)</u>	<u>Exchange rate</u>	
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
JPY: NTD	\$ 80,428	0.2406	\$ 19,351
USD: NTD	885	27.67	24,488
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 2,842	27.67	\$ 78,638
	<u>December 31, 2020</u>		
	<u>Foreign currency</u>		<u>Book value(NTD)</u>
	<u>(NT\$ thousand)</u>	<u>Exchange rate</u>	
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
JPY: NTD	\$ 226,831	0.2767	\$ 62,764
USD: NTD	2,769	28.48	78,861
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 12,949	28.48	\$ 368,788

- C. The amounts of the unrealized gains and losses with significant exchange rate fluctuation for the currency of the Company recognized in 2021 and 2020 are summed amount respectively as (\$1,077) and NT\$ 3,846.
- D. The analysis of foreign exchange risk affected by significant exchange rate fluctuation for The Company is as follows:

	<u>2021</u>		
	<u>Sensitivity analysis</u>		
	<u>Magnitude</u>	<u>Influence of</u>	<u>The impact of other</u>
(Foreign currency: Functional currency)	<u>changes</u>	<u>profit and loss</u>	<u>comprehensive profit</u>
<u>Financial assets</u>			<u>or loss</u>
<u>Monetary items</u>			
USD: NTD	1%	\$ 245	\$ -
JPY: NTD	1%	194	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 786	\$ -

	<u>2020</u>		
	<u>Sensitivity analysis</u>		
	<u>Magnitude</u>	<u>Influence of</u>	<u>The impact of other</u>
(Foreign currency: Functional currency)	<u>changes</u>	<u>profit and loss</u>	<u>comprehensive profit</u>
<u>Financial assets</u>			<u>or loss</u>
<u>Monetary items</u>			
USD: NTD	1%	\$ 789	\$ -
JPY: NTD	1%	628	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 3,688	\$ -

#### 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 in 2021 and 2020 are, respectively, increased or decreased for NT\$11,971 and NT\$7,253.

#### 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 2021 and 2020 is based on the floating rate in NTD, US dollars and YEN.
- B. In 2021 and 2020, if the change in loan interest rates is 0.1%, and all other elements are remained the same, net incomes of 2021 and 2020 will respectively decreases \$2,030 and \$2,412 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, 2021 and 2020, the Company did not have the liability for creditor's with recourse write-off.
- G. The change in allowance for loss table for bill receivable, accounts receivable and other accounts receivable by the Company are as follows:
- (1) The management's expectation of shortfalls is 15%. As of December 31, 2021 and December 31, 2020, the total accounts and bills receivable were NT\$148,376 and NT\$22,236, respectively, while the allowance for loss were NT\$200,168 and NT\$30,025 respectively; other receivables totaled NT\$212,697 and NT\$31,904, respectively, while its allowance for loss were NT\$220,379 and NT\$33,057 respectively.

- (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, 2021 and 2020 is as follows:

	<u>Not-overdue</u>	<u>Overdue within 1-90 days</u>	<u>91 to 180 days overdue.</u>	<u>Overdue exceeding 180 days</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected rate of loss	0.06%	3.90%	100.00%	100.00%	
Total amount of the book value	\$184,512	\$ 574	\$ -	\$ -	\$185,086
Allowance for losses	119	22	-	-	141
	<u>Not-overdue</u>	<u>Overdue within 1-90 days</u>	<u>91 to 180 days overdue.</u>	<u>Overdue exceeding 180 days</u>	<u>Total</u>
<u>December 31, 2020</u>					
Expected rate of loss	0.06%	5.59%	100.00%	100.00%	
Total amount of the book value	\$229,705	\$ 104	\$ -	\$ -	\$229,809
Allowance for losses	137	6	-	-	143

- H. The change in allowance for loss table for bill receivable, accounts receivable and other accounts receivable by the Company are as follows:

	<u>2021</u>		<u>Total</u>
	<u>Note receivable and accounts receivable</u>	<u>Other receivables</u>	
January 1	\$ 30,168	\$ 33,057	\$ 63,225
Impairment loss reversal	( 7,791)	( 1,153)	( 8,944)
December 31	<u>\$ 22,377</u>	<u>\$ 31,904</u>	<u>\$ 54,281</u>
	<u>2020</u>		<u>Total</u>
	<u>Note receivable and accounts receivable</u>	<u>Other receivables</u>	
January 1	\$ 36,436	\$ 33,149	\$ 69,585
Impairment loss reversal	( 6,360)	-	( 6,360)
Reclassification	92	( 92)	-
December 31	<u>\$ 30,168</u>	<u>\$ 33,057</u>	<u>\$ 63,225</u>

(3) Liquidity risk

- A. The prediction of cash flows is executed by each operating unit in the Company and summarized by the financial department of the Company. The financial department of the Company monitors the prediction for the liquidity requirement of the Company, 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:

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over5year</u>
December 31, 2021					
Shot-term borrowings	\$ 446,381	\$296,783	\$ -	\$ -	\$ -

Short-term notes payable	100,000	-	-	-	-
Accounts payable	254,702	51,737	-	-	-
Other payables	278,218	3,192	-	-	-
Long-term borrowings	2,494	4,633	1,638,440	64,000	-
Deposits received	-	-	500	-	-
Lease liabilities	1,571	4,712	6,029	11,334	10,776

Non-derivative financial liabilities:

December 31, 2020	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 year</u>
Short-term borrowings	\$60,294	\$929,793	\$ -	\$ -	\$ -
Short-term notes payable	150,000	-	-	-	-
Accounts payable	239,971	128,175	-	-	-
Other payables	296,581	1,928	-	-	-
Long-term borrowings	4,209	6,735	1,785,091	101,327	-
Deposits received	-	500	-	-	-
Lease liabilities	1,152	3,457	4,609	11,538	14,367

(3) Fair value information

1. For the Group's financial assets and liabilities not measured at fair value, including cash and cash equivalents, financial assets measured at amortized cost — current, bills receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, short-term bills payable, accounts payable, other payables, deposits received, long-term borrowings and lease liabilities, the amount is a reasonable approximation of fair value. Please refer to Note 12 (2) 1. for details.

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 financial instruments not measured at fair values.

Including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, guarantee deposits & margins paid, short-term loans, short-term notes payable, accounts payable and other payables, guarantee deposits & margins received, and long-term loans that the book amount is the reasonable approximated fair value.

4. 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, 2021	<u>Level1</u>	<u>Level2</u>	<u>Level3</u>	<u>Total</u>
Assets				
Repeatabe fair value				
Investment of equity instruments at fair value through other comprehensive income	<u>\$1,162,198</u>	<u>\$ -</u>	<u>\$ 34,940</u>	<u>\$1,197,138</u>
December 31, 2020	<u>Level1</u>	<u>Level2</u>	<u>Level3</u>	<u>Total</u>
Assets				
Repeatabe fair value				
Investment of equity instruments at fair value through other comprehensive income	<u>\$594,321</u>	<u>\$ 89,882</u>	<u>\$ 41,074</u>	<u>\$ 725,277</u>

- (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 classification according to the feature of the tool is as follows:

	<u>Listed (OTC) and emerging stocks</u>
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 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. In October 2021, as MegaPro Biomedical Co., Ltd. has been converted into emerging stock, the Company's fair value measurement is transferred from Level 2 to Level 1 in the fair value hierarchy.
6. The changes in Level 3 in 2021 and 2020, respectively, are described as follows:

2021  
Equity instruments

January 1	\$	41,074
Increase of the current period	(	9,000)
Evaluation adjustment		2,866
December 31	\$	<u>34,940</u>

2020

Equity instruments

January 1	\$	29,621
Increase of the current period		7,390
Evaluation adjustment		4,063
December 31	\$	<u>41,074</u>

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:

	<u>Fair value on</u> <u>December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant</u> <u>unobservable</u> <u>input value</u>	<u>Relationship between</u> <u>input value and fair</u> <u>value</u>
Stock of the venture capital	\$ 34,940	Net assets value method	Not applicable	Not applicable
	<u>Fair value on</u> <u>December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant</u> <u>unobservable</u> <u>input value</u>	<u>Relationship between</u> <u>input value and fair</u> <u>value</u>
Stock of the venture capital	\$ 41,074	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.

(4) Other matters

Due to the impact of COVID-19 pandemic and the government's various COVID-19 prevention measures, the Company has implemented response measures such as distributed work, and continuous management of related matters. After assessment, no material impact was found on the Company's financial position and performance.

13. Notes of disclosure

(1) 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 2021 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: please refer to the attached table 4.
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 attached table 5.
8. Amounts receivable from related parties totaling more than NTD100 million or 20% of paid up capital: please refer to attached table 6.
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 7.

(2) Information regarding investees

For the name, religion of the invested company..., such information (excluding the invested company in China), please see attached table 8.

(3) Information regarding investment in the territory of mainland China

1. Basic information: Please see attached table 9.
2. Significant transactions with investee companies in the Mainland China, either directly or indirectly through a third country: Not applicable.

(4) Major shareholder information

Major shareholder information: please refer to Attachment 10.

14. Segment information

According to the regulations of IAS 8, disclosed in the consolidated financial statements.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

The Loaning of Funds

January 1 to December 31, 2021

Unit: NTD thousand  
(Except where otherwise stated)

Attached table 1

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	the necessity of short-term financing	Amount of provision for bad debts	Collateral Name	Value	Limit of financing particular beneficiary	Total limit of financing	Remarks
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	Other receivable:	Y	\$ 220,379	\$ 212,757	\$ 212,697	1.80%	1	\$ 212,757	-	\$ 31,904	Note 5	\$ -	\$ 212,757	\$ 2,326,234	Note 4 (1)
1	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Yuning Pharmaceutical Co., Ltd.	Other receivable:	Y	7,115	7,115	7,115	-	2	-	Working capita	-	-	-	194,566	389,132	Note 4 (3)
1	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Pei Fu (Shanghai) Co., Ltd.	Accounts receiva	Y	12,510	12,510	12,510	-	2	-	Working capita	-	-	-	194,566	389,132	Note 4 (3)
1	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Yuning Pharmaceutical Co., Ltd.	Accounts receiva	Y	25,416	15,545	15,545	-	2	-	Working capita	-	-	-	194,566	389,132	Note 4 (3)
1	Tairung Development Co., Ltd.	HU-YU Co., Ltd.	Other receivable:	Y	46,000	46,000	46,000	2.10%	2	-	Working capita	-	-	-	46,883	46,883	Note 4 (4)

Note 1: The filing method for the numbering of lending money by the Company 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: Maximum and aggregate amount of loans made to a single entity by the Company:

- (1) Company and its subsidiaries with business transactions with the company whose individual lending amount may not exceed the most recent one year or the current year's incoming goods amount or total sales amount with the company, at the time of capital lending.
- (2) No loan made to a single entity by the Company shall exceed 15% of its net worth. Aggregated loans made by the Company shall not exceed 30% of its net worth.
- (3) No loan made to a single entity by Chung-hwa Yuning shall exceed 15% of its net worth. Aggregated loans made shall not exceed 30% of its net worth.
- (4) No loan made to a single entity by Tairung Development Co., Ltd. shall exceed 40% of its net worth. Aggregated loans made shall not exceed 40% of its net worth.

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, 2021

Attached table 2

Unit: NTD thousand  
(Except where otherwise stated)

No. (Note 1)	The company providing the endorsement and/or guarantee	Company name	and/or guarantee Relation (Note 2)	endorsements and/or guarantees to a single	balance of endorsements and/or	The actual amounts disbursed	endorsements and guarantees to others	and guarantees as a percentage of equity in the most	The upper limit of an endorsement and/or guarantee	of parent company to	endorsement by subsidiary to parent	and endorsement in Mainland	Remarks
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	1	\$ 2,326,234	\$ 212,000	\$ 212,000	-	2.73%	\$ 3,877,055	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, 2021

Attached table 3 Unit: NTD thousand  
(Except where otherwise stated)

Holding company	Types of negotiable securities	Name of securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending			Remarks	
					Quantity	Book value	Ratio of Shareholding		Fair value
China Chemical & Pharmaceutical Co., Ltd.	Stock	momo.com Inc.	-	Investment of equity instruments at fair value through other comprehensive income	658,500	\$ 428,134	0.36%	\$ 1,070,062	None
	"	Green Management International Co., Ltd.	-	"	111,237	710	5.21%	1,650	"
	"	CDIB Capital Healthcare Ventures Limited	-	"	2,100,000	21,000	1.71%	26,726	"
	"	MegaPro Biomedical Co., Ltd.	-	"	2,938,458	95,046	5.10%	92,136	"
	"	NEUROLOGIC, INC.	-	Investment of equity instruments at fair value through profit and loss	857,067	-	7.12%	-	"
	"	SynZyme Technologies, LLC	-	"	462,900	-	4.34%	-	"
Equity		Seraph partners	-	Investment of equity instruments at fair value through other comprehensive income	-	7,390	3.14%	6,564	"
			-	Evaluation adjustment	-	644,858	-	-	"
			-		\$ 1,197,138				
Tairung Development Co., Ltd.	Stock	China Chemical & Pharmaceutical Co., Ltd.	The Company	Investment of equity instruments at fair value through other comprehensive income	827,883	\$ 28,057	0.28%	\$ 18,752	None
				Evaluation adjustment	(	9,305)			
					\$ 18,752				
Timpeco International Co., Ltd. Chemical & pharmaceutical Industrial Co., Ltd.	Stock	Herbal Science, LLC	-	Investment of equity instruments at fair value through profit and loss	-	-	4.00%	\$ -	None
		Kunshan CDIB Yida Healthcare Enterprise Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	-	43,450	2.37%	\$ 43,827	None
				Evaluation adjustment		377			
					\$ 43,827				
Suzhou Chung-hwa Chemical & pharmaceutical	Beneficiary certificate	China Merchants Bank's Regular Open-end Net Value Wealth Management Products		Financial assets at fair value through profit and loss- Current	\$	86,905		\$	89,149
				Evaluation adjustment		2,244			
					\$	89,149			

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 9, "Financial Instruments"

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

The cumulative purchase or sale of the same security for an amount exceeding NT\$300 million or 20% of paid-in capital.

January 1 to December 31, 2021

Attached table 4

Unit: NTD thousand  
(Except where otherwise stated)

Buyer and sellers	Name (Note 1)	Account titles in book	Counterpart Relation		At beginning		Buy (Note 3)		Sell (Note 3)		At ending				
			(Note 2)	(Note 2)	Quantity	Amount	Quantity	Cost	Valuation	Quantity	Selling price	Cost in book	Quantity	Amount	
China Chemical & Pharmaceutical Co., Ltd.	momo.com Inc.	Investment of equity instruments at fair value through other comprehensive income	-	-	933,000	\$ 594,321	461,500	\$ 439,440	\$ 324,870	736,000	\$ 924,534	\$ 288,569	\$ 635,965	658,500	\$ 1,070,062

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 9, "Financial Instruments"

Note 2: Investors who use the equity method for securities accounts must fill in these two columns, while others are exempt.

Note 3: Cumulative buying and selling amount should be calculated separately to check whether it exceeds NT\$300 million or 20% of the paid-in capital.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Purchase from or sale to related parties for an amount exceeding NTS\$100 million or 20% of paid-in capital  
January 1 to December 31, 2021

Attached table 5

Unit: NTD thousand

Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Trading terms different from general trade and reasons			Notes and accounts receivable (payable)	Percentage of total notes and accounts receivable (payable)	Remarks
							Unit price	The credit period	Balance			
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	Sale	\$ 2,085,246	61.20%	The payment term is 150 days	Agreed by the quotation in the purchase agreement signed by	The payment term is 150 days.	\$ 1,462,386	72.65%		
China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	The Chairman is the same person of The Company.	Sale	212,757	6.24%	The payment term is 240 days	Due to the unique sales; no similar items for nature of The Company	Due to the unique sales; the selling price is the usage of the bill the import cost plus 4% should be longer than ~ 10% regular deals.	\$ 361,073	17.94%		
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Subsidiaries	Purchases	104,564	3.24%	Payment term of 60 days	Agreed by the quotation in the purchase agreement signed by both parties.	Payment term of 60 days.	-	-	Note	

Note: Individual accounts payable transactions less than NTS\$100,000 will not be disclosed.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Accounts receivable from related parties for an amount exceeding NTS 100 million or 20% of paid-in capital  
January 1 to December 31, 2021

Attached table 6

Unit: NTD thousand  
(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Amount	Receivables from related parties Process	Receivables amount collected from related	Amount of provision for bad debts	Remarks
China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	The Chairman is the same person of The Company.	361,073	0.54	\$ 212,697	To obtain the proven guarantee from the chairman of The Company and take joint and several liability for the unpaid debts or bills.	\$ 42,099	\$ 54,140	
	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	1,462,386	1.38	182,148	Active debt collection.	80,000	-	



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, 2021

Unit: NTD thousand  
(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding		Book value	Current period profit / loss of the investee	Recognized investment income	Remarks
				Current period-end	The end of last year	Quantity	Proportion				
China Chemical & Pharmaceutical Co., Ltd.	Tairung Development Co., Ltd.	Taiwan	Manufacture and sales of glass, plastics made	\$ 226,920	\$ 226,920	4,376	71.64	\$ 84,482	\$ 6,387	\$ 3,982	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Holding Co., Ltd	Cayman Islands	Professional investment company	910,384	910,384	44,485,000	100.00	1,306,358	190,428	190,883	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	327,436	( 37,726)	( 36,949)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Senior Care Co., Ltd.	Taiwan	Medicine, wholesale of medicine equipment and	324,400	324,400	5,000,000	100.00	10,726	3,341	3,617	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	415,400	353,598	61,999	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Taiwan	Manufacture and selling of the chemical materials	563,849	296,292	21,575,064	27.82	875,252	400,778	89,426	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	PHERMPEP CO., LTD.	Taiwan	Wholesale of biotechnology services and health products.	48,280	40,000	3,588,000	44.85	21,215	( 14,139)	( 6,636)	Evaluation of equity method
Chunghwa Holding Co., Ltd	Timpeco International Co., Ltd.	Cook Islands	Professional investment company	801,701	801,701	16,436,500	100.00	1,309,973	190,667	-	Sub-subsidiary
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Taiwan	Manufacturer of cleaning products	17,380	17,380	1,738,000	73.96	2,412	( 12,430)	-	Sub-subsidiary

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 Attached Table 1-7.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Basic information- Information of the investees in China

January 1 to December 31, 2021

Attached table 9

Unit: NTD thousand  
(Except where otherwise stated)

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	amount of investment		amount of investment remitted from Taiwan at ending	Current period profit/loss of the investee	s directly or indirectly invested shareholding	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
				Taiwan at	recovered in current period							
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Manufacture and sales of pharmaceutical medicine and health products.	\$ 755,151	2	\$ 768,672	\$ -	\$ 768,672	\$ 193,979	100	\$ 193,979	\$ 1,185,736	\$ 226,024	Note 1 (2), Note 2(2)B and Note 7
Suzhou Chung-hwa Yuming Pharmaceutical Co., Ltd.	Wholesale and sales of pharmaceutical medicine and medical equipment.	10,203	3	-	-	-	( 16,730)	100	-	( 4,082)	-	Note 2(2)B, Note 3 and Note 7
Pei Fu (Shanghai) Co., Ltd.	Wholesale and sales of medical equipment.	182,790	3	-	-	-	( 229)	100	-	( 7,780)	-	Note 2(2)B, Note 4 and Note 7
Suzhou Zhong-Hwa Le Huo Jian Kang Co., Ltd.	E-commerce sales of health products	26,941	3	-	-	-	( 1,469)	100	-	25,293	-	Note 2(2)B, Note 5, 7
Wuxi Jirui Medical Technology Co., Ltd.	Production and sales of APIs	17,508	3	-	-	-	( 7,156)	34	-	1,266	-	Note 2(2)B, Note 6, 7

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEA/IC

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):

A. Investment made to Suzhou Chung-Hua Chemical & Pharmaceutical was by Ke Ding Mao International Co. through Chung-hwa Holding Co.

(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 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.

C. Others.

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: Direct investment with RMB\$ 6,160,000 by Suzhou Chung-Hua Chemical & Pharmaceutical Industrial CO., LTD

Note 6: Acquired 34% shareholding of Wuxi Jirui Medical Technology Co., Ltd. in February 2021 by use of RMB\$50,000 capital from The Suzhou Chung-Hwa Yuming Pharmaceutical Co., Ltd.

Note 7: The Company does not recognize investment profit and loss directly.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries  
Major shareholder information  
January 1 to December 31, 2021

Attached table 10

Names of Dominant Shareholders	Number of shares held	Shareholding	Ratio of Shareholding
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	42,053,137		14.11%

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: NTD thousand

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	5,927,351	5,567,045	(360,306)	(6.08)
Property, plant, and equipment	4,254,179	4,136,266	(117,913)	(2.77)
Intangible assets	27,734	15,936	(11,798)	(42.54)
Other assets	2,147,650	3,067,629	919,979	42.84
<b>Total assets</b>	12,356,914	12,786,876	429,962	3.48
Current liabilities	3,312,628	2,807,463	(505,165)	(15.25)
Non-current liabilities	2,417,427	2,190,943	(226,484)	(9.37)
<b>Total liabilities</b>	5,730,055	4,998,406	(731,649)	(12.77)
Capital stock	2,980,811	2,980,811	0	0.00
Capital surplus	646,000	646,593	593	0.09
Retained earnings	2,766,989	3,617,351	850,362	30.73
Other equity	225,931	537,409	311,478	137.86
Treasury stock	(28,054)	(28,054)	0	0.00
Non-controlling interest	35,182	34,360	(822)	(2.34)
<b>Total equity</b>	6,626,859	7,788,470	1,161,611	17.53
<b>Equity of the parent company</b>	6,591,677	7,754,110	1,162,433	17.63

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

Descriptions:

The decrease in intangible assets is mainly due to the yearly amortization expenses.

The increase in other assets is mainly due to an increase in adjustments of financial asset ratings measured at fair value.

The increase in other equities is mainly due to an increase in the share prices of financial assets measured at fair value through other comprehensive income.

The increase in retained surplus is mainly due to financial profits and dispositions in the current year measured through other comprehensive income at fair value. The accumulated profits from financial assets are listed as retained surplus.

II. Financial performance:

(I) Comparative analyses chart for the financial performance:

Unit: NTD thousand

Item	Year		Increase (decrease)	Ratios of change %
	2020	2021		
Operating revenue	8,181,056	7,948,998	(232,058)	(2.84)
Operating cost	5,212,253	5,084,206	(128,047)	(2.46)
Gross profit	2,968,803	2,864,792	(104,011)	(3.50)
Operating expenses	2,547,571	2,440,903	(106,668)	(4.19)
<b>Operating profit</b>	421,232	423,889	2,657	0.63
Non-operating revenues and expenses	236,408	235,351	(1,057)	(0.45)
Net profit before taxation	657,640	659,240	11,600	1.79
Gain(loss) from discontinued operations	0	0	0	0
Current year profit of continuing business units	657,640	659,240	1,600	0.24
Income tax expenses	98,140	142,885	44,745	45.59
<b>Net income</b>	559,500	516,355	(43,145)	(7.71)
Other comprehensive income for the period (post-tax profit or loss)	366,245	942,744	576,499	157.41
Current period other comprehensive income (Gross)	925,745	1,459,099	533,354	57.61
Net income attributable to owners of the parent company	557,365	517,508	(39,857)	(7.15)
Net income attributable to non-controlling interests	2,135	(1,153)	(3,288)	(154.00)
Total comprehensive income attributable to owners of the parent company	923,452	1,459,921	536,469	58.09
Total comprehensive income attributable to non-controlling interests	2,293	(822)	(3,115)	(135.85)

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

Descriptions:

The increase in income tax is mainly due to a decrease in investment deductions compared to the previous year.

Other comprehensive incomes and comprehensive income total amount in the current term are attributable to the parent company owner. The increase is due to an increase in the share price of financial assets measured through other comprehensive income at fair value.

The net profit is attributable to non-controlling interests, and comprehensive income total is attributable to a decrease in non-controlling interests mainly due to recognized losses of the reinvestment company.

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

III. Cash flow:

Analyses on cash flow

Unit: NTD thousand

Opening cash balance	Net cash flow coming from operating activities year-round	Cash outflow year-round	Amount of surplus (shortfall) in cash	Financing of cash deficits	
				Investment plans	Wealth management plans
1,034,239	695,891	881,095	849,035	—	—

(I) Analysis on the cash flow change in Year 2021

1. Net inflow in operating activities NTD695,891,000.
2. Net outflow in investment activities NTD120,872,000.
3. Net outflow in capital-raising activities NTD769,295,000.
4. Net inflow in exchange rate impact NTD9,072,000.

(II) Remedial measures for cash shortfall and analyses on liquidity:

1. Investment plans: None
2. Wealth management plans: None
3. Liquidity analyses:

Item	Year	2020	2021	Increase/decrease ratio %
	Cash flow ratio (%)		27.08	24.79
Cash flow adequacy ratio (%)		62.47	77.01	23.28
Cash flow reinvestment ratio (%)		5.61	3.09	(44.92)
Description of analysis on changes in ratio of increase or decrease: Mainly due to an increase in the inflow of accounts receivable and a decrease in the net cash inflow of operating activities.				

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

Unit: NTD thousand

Opening cash balance	Net cash flow anticipated from operating activities in year round:	Anticipated year-round cash outflow:	Expected cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Wealth management plans
849,035	181,114	221,676	808,473	None	

IV. The impact of the significant capital expenditure over the past year upon the financial performance: Without a significant impact at all.

V. The outward investment policies over the past year. The key reasons leading to the profit or loss, the corrective plans and the investment plan in one year ahead: 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. The Company's 2021 consolidated interest expenses amounted to NTD35,760 thousand, a decrease by NTD7,065 thousand compared to NTD42,825 thousand in

2020. For the disposition part, the decrease is mainly due to the financial assets measured at fair value, which are used to repay loans from financial institution.
2. In Year 2021, the consolidated gains in foreign exchange came to NTD7,293 thousand, accounting for 0.09% of the consolidated operating revenues in 2021. 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 Year 2021, the Company did not at all engage in high-risk, high-leverage investment and derivative financial instruments transaction.
  2. Handled in accordance with the “Operational Procedures for Loaning Funds to Others.” The actual disbursement of loaning of funds to others in 2021 amounted to NTD293,867 thousand, an increase by NTD73,488 thousand compared to 2020. The increase in the balance is mainly due to unstable working capital as a result of COVID-19 impacting normal operating activities. In the future, it will be recovered in batches, when the pandemic eases and depending on working capital stability.
  3. The Company’s external endorsements and guarantees are mainly due to the financial endorsements of financial institutions and shall be handled in accordance with the Company’s “Operational Procedures for Loaning Funds to Others”: The maximum limit of endorsements and guarantees is NTD3,877,055 thousand. As of the end of 2021, the endorsement and guarantee balance amounted to NTD212,000 thousand, a decrease by NTD50,000 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 NTD200 ~ 300 million budgets for research & development alone.
- (IV) The possible impacts by government policies and laws at home and abroad upon the Company’s financial conditions and the Company’s countermeasures:
1. Impact on the company’s finances: After the implementation of the National Health Insurance, although the total amount of overall medical consumption rises when medical expenses increase every year due to population ageing, the pharmaceutical industry will be impacted by another drug price policy when the Bureau of NHI launches the 2<sup>nd</sup> Generation NHI to resolve the heavy NHI financial burden through major reforms.
  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 (including ICT security risk ) and technology and change in industries upon the Company's financial conditions and the Company's countermeasures:

The Company is a manufacturing vendor under the pharmaceutical biotech industry. Technological changes and industrial changes can provide the Company with innovative new products and bring about extensive business opportunities. In 2021, the Company's inventory turnover rate was 2.17 times, indicating major financial undertakings had no negative impacts. As of the date of annual report printing, no technological changes (including information communication and security risks) or industrial changes affecting financial undertakings occurred.

- (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 through 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) For directors or shareholders whose shareholding ratio exceeds 10%, the effects of large-scale transfer or replacement of equity on the Company include: The transfer posed no major impact or risk on the Company. Refer to page 71: (2) Information of counterpart as the interested party of equity transfer of the board of directors, managers, and shareholders with the shareholding ratio exceeding 10%.

- (XI) The impacts and risks anticipated from the change in the managerial powers and the Company's countermeasures: Such fact is nonexistent in the Company.

- (XII) Litigious and non-litigious events: (Expressed in Thousand New Taiwan Dollars)

In September 2017, TSH Biopharm Corporation sued us for patent right infringement and violation of the Fair Trade Act and claimed for an indemnity of NT\$5,000. After assessment, we found no violation of the Patent Act or the Fair Trade Act as charged. In July 2018 the Intellectual Property Court of Taiwan defined all allegations. In August 2018 TSH Biopharm Corporation thus made an appeal to the judicial panel of the Intellectual Property Court of Taiwan. On February 2, 2020, the Intellectual Property Court of Taiwan made the decision to drop all allegations on this Company. TSH Biopharm Corporation filed an appeal to the Supreme Court, and our lawyers are making defense.

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

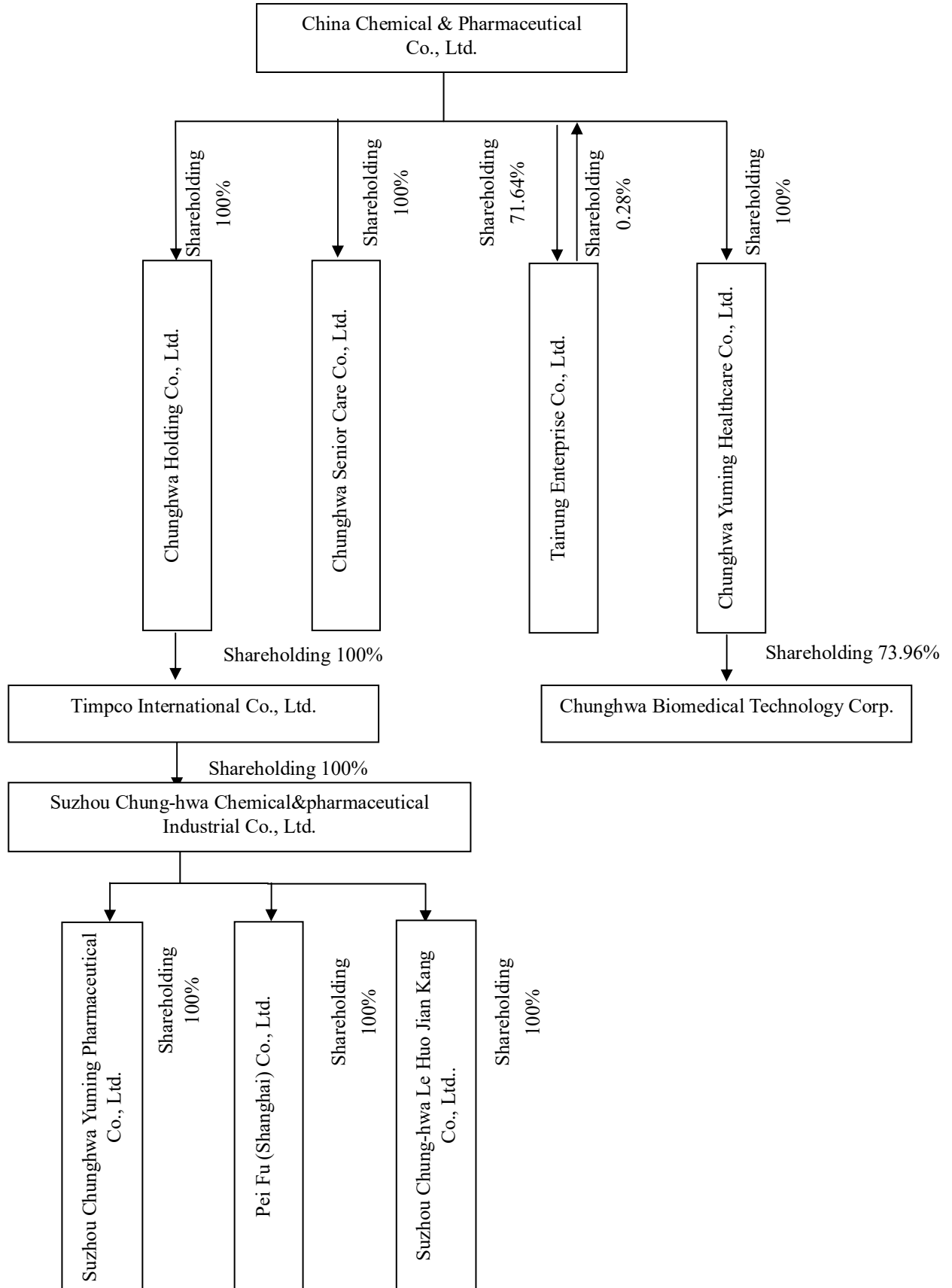
VII. Other important disclosures: None.

## 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: NTD 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	5F., 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
Timpeco 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.
Suzhou Chung-hwa Le Huo Jian Kang Co., Ltd.	2021.01.14	No. 66 Yungan Road, Gaoxin District, Suzhou City, Jiansu Province, China	26,941	Food business, chemical product sales, medical instrument sales, etc.
Chunghwa Biomedical Technology Corp.	2017.05.05	No. 3 Jian 3 <sup>rd</sup> Road, Guanin District, Taoyuan City	23,500	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, 2021 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 Hsien, I-Chen	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: Hsieh, Chun-Ju	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, Yi-Chun	29,590,000	100.00
	President	Sun, Yin-Nan	0	0
Tairung Development Co., Ltd.	Chairman	Wang Hsieh I-Chen	0	0
	Director	Wang, Hou-Jie	0	0
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun, Yin-Nan	4,376	71.64
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Huang, Yi-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 Hsieh I-Chen	0	0

Name of enterprise	Title	Name or the representative person	Shares held	
			Quantity	Ratio of Shareholding
Chunghwa Senior Care Co., Ltd.	Chairman	China Chemical & Pharmaceutical Co., Ltd. Representative: Wang Hsien, I-Chen	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
Chunghwa Holding Co., Ltd.	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Wu, Su-Huan	44,485,000	100.00
Timpeco International Co., Ltd.	Director	Representative of Chunghwa Holding Co., Ltd.: Wu, Su-Huan	16,436,500	100.00
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Chairman	Wu, Su-Huan	0	0
	Director	Wang Hsieh I-Chen	0	0
	Director	Wang, Hou-Kai	0	0
	Director	Wang, Hou-Jie	0	0
	Director	Sun, Yin-Nan	0	0
	Director	Sun Hua	0	0
	Director	Huang, Yi-Chun	0	0
	Supervisor	Wang Hsieh Cheng-Ching	0	0
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Executive Director	Wu, Su-Huan	0	0
	President	Wu, Su-Huan	0	0
	Supervisor	Hsu, Shun-Hsia	0	0
Pei Fu (Shanghai) Co., Ltd.	Executive Director	Wang, Hou-Jie	0	0
	President	Wang, Hou-Jie	0	0
	Supervisor	Shen Ta-Hai	0	0

Name of enterprise	Title	Name or the representative person	Shares held	
			Quantity	Ratio of Shareholding
Suzhou Chung-hwa Le Huo Jian Kang Co., Ltd.	Chairman	Wu, Su-Huan	0	0
Chunghwa Biomedical Technology Corp.	Chairman	Chunghwa Yuming Healthcare Co., Ltd. Representative: Sun, Yin-Nan	1,738,000	73.96
	Director	Chunghwa Yuming Healthcare Co., Ltd. Representative: Hsu, Huo-Shu	1,738,000	73.96
	Director	Wang, Ying-Chu	63,000	2.68
	Supervisor	Huang, Yi-Chun	0	0
	Supervisor	Hu Hui-Lan	0	0

6. Business performances of the affiliated enterprises in summary

Unit: NTD thousand

Name of enterprise	Paid-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 (NTD) (After tax)
Chunghwa Yuming Healthcare Co., Ltd.	295,900	2,663,158	2,198,139	465,019	4,120,611	(22,476)	(37,726)	(1.27)
Tairung Development Co., Ltd.	61,080	255,493	138,285	117,208	124,038	7,838	6,387	1,045.68
Chunghwa Senior Care Co., Ltd.	50,000	45,308	33,473	11,835	102,050	676	3,341	0.67
Chunghwa Holding Co., Ltd.	444,850	1,310,208	0	1,310,208	0	0	190,428	4.28
Timpco International Co., Ltd.	801,701	1,309,982	14	1,309,968	0	0	190,667	11.60
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	755,151	1,949,632	625,254	1,297,108	2,280,820	154,780	193,979	-
Chunghwa Biomedical Technology Corp.	23,500	69,321	54,120	15,201	115,580	(6,394)	(12,430)	(5.29)

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

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

In Fiscal 2021 (the entire period starting from January 1, 2021 to December 31, 2021), 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.

Person in charge: Wang Hsien, I-Chen

March 29, 2022

## II. Private placement of securities during the latest year up till the publication date of this annual report:

Item	Date of first private placement issuance in 2022: Not released				
Types of private placement securities	Ordinary shares by private placement or domestic convertible bonds by private placement.				
Date of shareholders meeting approval and quota.	Not applicable				
Basis for and legitimacy of pricing	<p>1. The price per share of private placement common stock may not be below 80% of the reference price. The reference price is the higher of those calculated according to the two criteria below:  (1) Choose one of the three: 1, 3, or 5 business days prior to the pricing date for calculation. Deduct the simple arithmetic mean of the closing price of ordinary shares from allotment of shares ex-right and dividend. Add back the share price of capital reduction ex-right. (2) 30 business days before the pricing date, deduct the simple arithmetic mean of the closing price of ordinary shares from allotment of shares ex-right and dividend. Add back the share price of capital reduction ex-right.</p> <p>2. Private convertible corporate bonds:  (1) Denomination per sheet: NT\$100,000 or an integral multiple thereof. (2) Duration of issuance: Seven (7) years maximum starting from the date of issue. (3) Denomination interest rate: 0% per annum provisionally. (4) The issue price of private placement convertible corporate bonds may not be below 80% of the theoretical price. The theoretical price will be determined with the valuation model selected that covers and takes into consideration at the same time various rights included in the issuance criteria. The price of conversion shall be on the basis of the simple arithmetic average of the price of the common shares closed on any one day among the 1st, 3rd and 5th business days prior to the pricing date deducted with the ex-rights and ex-dividends of the gratuitous share allotment added back to the reverse-ex-rights stock price amidst the capital decrease; or the simple arithmetic average common share prices closing in thirty (30) business days prior to the pricing date deducted with the ex-rights and ex-dividends of the gratuitous share allotment added back with the reverse-ex-rights stock price amidst the capital decrease, whichever is higher. Either of such price so obtained shall not be lower than 80% of the reference price.</p> <p>3. The pricing date, actual reference price and theoretical price, and actual issue price (including the conversion price of private placement convertible corporate bonds) are intended to be decided by the Board of Directors according to the requirements mentioned above as authorized through the shareholders' meeting reflective of the market situation, objective criteria, and arrangements with specific persons on a later date. The private placement price (including the conversion price of private placement convertible corporate bonds) is determined according to the laws and regulations set by the competent authority, with reference to the reference price or theoretical price mentioned above in addition to the "three-year transfer restriction" for private placement securities under the Securities and Exchange Act; as such, the price set shall be reasonable.</p>				
Special related person selection method	Specific persons are limited to strategic investors meeting the eligibility criteria specified under Article 43-6 Paragraph 1 of the Securities and Exchange Act, capable of helping the Company improve its technologies, quality, bring down the cost, boost efficiency, maximize market share, enhance corporate governance, and strengthen risk management, and approving the management philosophy of the Company. Approaching strategic investors meeting the foregoing criteria is meant to meet, required for, and expected to render benefits in terms of the Company's long-term development needs. It is intended to help the Company fulfill the foregoing benefits taking advantage of the experience, knowledge, technical background, distribution channels, or deployment of the said strategic investors. No specific persons have been approached by the Company so far. It is intended to authorize the Board of Directors through the shareholders' meeting to take care of approaching specific persons.				
Rationale for organizing private placements	In light of the situation on the capital market, time-efficiency, feasibility, and issue cost of capital raising, and the actual needs for introducing strategic investors, the requirement that private placement securities may not be transferred freely within three years helps ensure the long-term partnership between the Company and its strategic investors; as such, securities are issued not through public offering but through private placement.				
Date of price payment completion	Pending negotiation.				
Enlister information	Private placement targets	Eligibility	Subscription quantity	Relationship with The Company	Situation of participation in company operations
	Not applicable				
Actual subscription (or conversion price)	Not applicable				
Actual subscription (or conversion price) and difference in reference price	Not applicable				
Effects of private placement on shareholders' rights and interests (such as causing increased cumulative losses).	The Company shall handle private placement once or several times (not exceeding three times) based on the situation of the market and special related persons. Each private placement is expected to reinforce the competitive advantages of the Company, improve the operating efficacy, and strengthen the financial structure and hence helps with the shareholders' equity positively.				
Private placement fund uses and place implementation progress	Not applicable				
The situation of private placement benefits realized	Not applicable				

- III. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.
- IV. Other supplementary information: None.
- V. Occurrences of events defined under Article 36-3-2 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

China Chemical & Pharmaceutical Co., Ltd.

Chairman: Chunghwa Chemical Synthesis &  
Biotech Co., Ltd.

Representative: Wang Hsien, I-Chen