Stock Code: 1762

CHUNGHWA CHEMICAL SYNTHESIS & BIOTECH CO., LTD.

2016 Annual Report

Annual Report Website:
Market Observation Post System (http://mops.twse.com.tw)
Company Website: http://www.ccsb.com.tw

Published on April 30, 2017

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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IV. Name of CPA Auditing the Financial Statements in the Most Recent Year

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V. Name of any overseas securities trading agency and its search keyword in the said overseas securities trading agency: None

VI. Company Website: http://www.ccsb.com.tw

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I. Letter to Shareholders

Dear Shareholders,

Please allow us to present you the report on our business in 2016.

(I) 2016 Business Report

1. Business Plan Implementation Results:

(1) Active Pharmaceutical Ingredients (API) Production:

A. In 2016, we manufactured 329 tons of API products, 46 tons of biotech products and 283 tons of non-biotech products.

B. In the biotech category, Mycophenolate Mofetil (MMF) was the best-selling product in 2016. With high quality and stable supply, this product now has 50 percent market share in the US. In 2016, a total of 51.2 tons were sold and brought a revenue of NT$493 million.

C. Our high-quality biotech product, Pravastatin, became a powerful force for our Indian customer to crack open the US market. In 2016, a total of 4.1 tons were sold for a revenue of NT$117 million.

D. Process validation for the new anti-cancer product, Everolimus (EVE), has been completed and PIV development of our customers in the US and India are coming to completion. Therefore, there is an apparent decrease in the volume of sales compared with the previous year. The volume is expected to rise significantly after the abovementioned products are launched. In 2016, a total of 4.3 kg were shipped, which brought a revenue of NT$65 million.

E. Process validation for Omega-3 fatty acid has been completed and several US pharmaceutical companies are using our API products to develop drugs, challenging the US PIV and seeking US FDA approval.

F. In 2016, our plants passed all cGMP reviews conducted by domestic and foreign customers. The reviews covered mainly biotech and non-biotech plants for production of Pravastatin and MMF. The cGMP for API have been constantly updated with increasingly stringent requirements. Our high-quality cGMP practices and manufacture standards have been widely recognized by our customers and relevant authorities in the US, EU countries and Japan, and such recognition will help us develop the global market led by these countries.

(2) Sales of API Products:

In 2016, consolidated sales reached NT$1,198,670 thousand or 95.31 percent of achievement rate, compared with the target NT$1,257,693 thousand. Domestic sales amounted to NT$98,515 thousand or 8.2 percent of total sales from Pravastatin (PVTS), Methocarbamol (MCB) and Guaifenesin (GGE). Exports reached NT$1,100,155 thousand or 91.8 percent of total sales, mainly from Pravastatin (PVTS), Tacrolimus (FK506), Everolimus (EVE), Methocarbamol (MCB) and Mycophenolate Mofetil (MMF).

2016 Consolidated Sales Unit: NT$1,000

Product Category / Sales	Biotech Products	Non-biotech Products	Total	Percentage of Total Sales
Domestic Sales	17,825	80,690	98,515	8.2%
Export Sales	828,320	271,835	1,100,155	91.8%
Total	846,145	352,525	1,198,670	100.0%
Percentage of Total Sales	70.6%	29.4%	100.0%	—

(3) Analysis of Sales

A. The main market for immunosuppressant Mycophenolate Mofetil (MMF) is the US. The stable quality of our product has brought us long-term customers. Currently, we have approximately 50 percent of the US market. Despite price competition from India and China, we sold 51.2 tons of MMF in 2016, which brought in NT$493 million in sales with a growth of 26 percent.

B. Our lipid-lowering drug Pravastatin (PVTS) has also been recognized as a high-quality product in the market. It is mainly sold as API to a manufacturer in India, which then sells finished products to the US market. Although the market price dropped in 2016 compared with the previous year due to price competition from China and India, the newly developed Japan market brought the total to 4.1 tons with a growth of 21 percent in sales and a total turnover of NT$117 million with a growth of 15 percent.

C. The market share in the US for muscle relaxant MCB was maintained at the same level. In 2016, a total of 271.5 tons

were sold, which brought a turnover of NT$170 million and a growth of 4.5 percent.

D. API, FKSD20, and finished product of Tacrolimus (FK506) developed with an affiliate company were approved by Japan PMDA for the market. In 2016, the sales of Tacrolimus in volume were 3.4 times of that in the previous year.

E. Process validation for the newly-developed anticancer product, Everolimus (EVE) was completed. Customers in the US and Europe continued to demand high volume of this product for RD purposes with PIV and PIII strategies. Everolimus was simultaneously marketed to Japan in 2016.

F. Developed products are targeted at foreign markets so sales in the domestic market have been limited. In addition, domestic demand has been low and existing products have been challenged by competing ones from India and China, both of which can produce in large quantities. Therefore, domestic sales are no longer a significant target. We will gradually push forward PIV-based development to help domestic pharmaceutical companies develop products based on our product lines and encourage them to join us in the development of foreign markets.

2. Consolidated Results of Budget Implementation

Units: NT$1,000; %

Item	Annual Budget	Actual Amount	Achievement Rate
Operating Revenue	1,257,693	1,198,670	95.31
Operating Cost	800,510	784,208	97.96
Gross Profit	457,183	414,462	90.66
Operating Expenses	322,581	316,332	98.06
Operating Profit	134,602	98,130	72.90
Loss before tax	143,078	93,089	65.06

3.Consolidated Income and Expenses and Profitability Analysis

(1) Consolidated Income and Expenses:

Unit: NT$1,000

Item	Amount
Operating Revenue	1,198,670
Gross Profit	414,462
Operating Income/Loss	98,130
Income from Interest	145
Expense for Interest	6,564
Capitalization Interest	-
Pre-tax Profit/Loss	93,089
After-tax Profit/Loss	60,183
Earnings per Share	NT$0.78

(2) Consolidated Profitability Analysis

Unit: %

Item	Percentage
Return on Total Assets	2.34
Return on Equity	3.31
Ratio of Pre-tax Net Income to Paid-in Capital	12.00
Net Profit Margin	5.02
Earnings per Share	NT$0.78
Earnings per share (adjusted retrospectively)	NT$0.78

4. Overview of R&D

(1) Synthesis Laboratory:

A. Completed development of new manufacturing process for an existing antifungal drug, Caspofungin. The new process effectively lowers the cost of production, thus enhancing market competitiveness.

B. Completed process validation for new PIV anti-myeloma API product, Carfilzomib.

C. Developed manufacturing process for new API drug, Sacubitril Sodium, for heart failure.

D. Developed manufacturing process for new API drug, Ixazomib Citrate, for multiple myeloma.

(2) Biotech Laboratory:

A. Completed process validation for Pneumocandin B0 on-site three-batch production.

B. Completed laboratory process scale-up for API polypeptide,

Teduglutide. Purity of 95 percent was achieved and on-site process scale-up test is expected in 2017.

C. Completed laboratory process scale-up for API oral anticoagulant drug, Edoxaban. The purity reached 95 percent. We have also completed four specimens of impurity standards for validation of analysis methods and reinforced the compliance with API Drug Master File (DMF) requirements.

(II) Summary of 2017 Business Plan:

1. Business Focus, Major Production and Marketing Policies:

(1) Developing International Market and New Customers

A. We are planning to further our expansion into the US market and actively develop new customers. We are also entering the markets of Japan and Europe through partner agents.

B. Governments worldwide are seeking ways to lower expenditure on medicine. This is an opportunity for development of generic drugs. Therefore, we are making a head start on the generic drug market in developed markets such as Japan and Europe.

C. New products Everolimus and Edoxaban have transited from the R&D stage to the market. Orders from current and new customers are expected to bring positive results to the Company's revenue in 2017.

D. We will reinforce sales of the existing niche products, including Pravastatin, Rapamycin, Everolimus and Caspofungin, an antifungal product.

(2) Domestic and Overseas Manufacture, Technology Development Contracts

A. We are working to increase revenue from CDMO/CMO, maximize the uptime of current production lines and upgrade our technology.

B. We are also actively seeking opportunities to manufacture for multinational pharmaceutical companies, as well as domestic and foreign biotechnology companies, for new API drugs. Through manufacture contracts, we expect to upgrade our technology and expand our capacity for future participation in development of new drugs with multinational pharmaceutical companies.

(3) Product Development Strategies

A. Selection and Development of Potential Products

- We are planning to develop a High Potency Active Pharmaceutical Ingredient (HPAPI) technology platform and supply new API drugs to challenge PIV through maximizing uptime for the existing independent HPAPI production facility.

- Our product selection strategy is customer orientation. We will seek collaboration with multinational generic drug manufacturers to meet customer demands and provide R&D and manufacture services to increase the chances for successful development of PIV products.

B. Through improving the existing manufacturing processes, we aim to minimize the cost of production and maximize product competitiveness.

(4) Maintaining International Competitiveness and the Advantages of the API Industry

A. Reinforce implementation of cGMP.

B. Pass cGMP audits by domestic and foreign customers and relevant authorities of export countries.

C. Build a solid corporate image through gaining full trust and satisfaction from customers.

2. Estimated Sales Volume and Supporting Information

The projected sales volume for 2017 has been estimated based on the growth in revenues from our market and distribution strategies, international development of biotech products and active development of CDMO/CMO.

Unit: kg

Product Category / Sales	Biotech Products	Non-biotech Products	Total
Sales	53,350	275,597	328,947

(III) Strategies for Future Development

1. The Company crafts its strategies to reinforce the company's niche products and in-depth development of its unique products, synergistically combining chemical synthesis and fermentation technology to differentiate itself from other businesses in the industry that only have the technology for chemical synthesis or fermentation. We will continue to invest in expanded R&D, supply our US customers new API products and develop the PIV market.
2. In addition to new products, we also plan to develop unique technologies and special products, such as anti-cancer and high-potency products that have high gross margin, while cultivating new customers and reinforcing product differentiation and niche marketing.
3. We have also set our target to develop CDMO businesses and seek participation in new drug development projects initiated by domestic or foreign pharmaceutical companies. We will seek partnerships at all project stages (trial production, production process development, preclinical and clinical trials) and form strategic alliances with major pharmaceutical companies for joint growth.
4. We are committed to full legal compliance. Accordingly, we will reinforce

audits at the plants of the suppliers for materials and API intermediates to ensure that our upstream suppliers meet full compliance and that all materials we use meet the requirements of the FDA of all the countries we supply to. We will also make sure that all our suppliers are able to maintain stable supply of high-quality materials to ensure consistent quality of the Company's products.

5. In response to the increasing demand for environmental protection, we are planning to develop solvent recovery technology and continuously implement various management systems and mechanisms as part of our proactive actions to reduce waste and effluent. Environmental friendly practices are expected to help us lower operational costs and fulfill our corporate social responsibility.

(IV) Impact of Competition, Legislation and Overall Business Environment

Taiwanese API companies are mostly export-oriented and are therefore subjected to currency volatility and competition. The global economy is expected to become even more volatile in 2017 and a currency war is expected to arise that will involve the U.S. Dollar, Euro, Japanese Yen and RMB. All of the above factors, plus the unclear direction of the US Fed interest rate and oil price volatility, will continue to steer the direction of global economic development. The pressure on drug prices, competition from generic drugs and belated development of new products will become the impetuses to the drug market. However, as population aging becomes a global issue, increased medical expenditure will become the main driving force for the drug market. In 2016, the production value of the generic drug market came to US$200.2 billion. The value is projected to reach US$380.6 billion in 2021, representing a compound annual growth rate (CAGR) of 10.8 percent.

API manufacturers in China and India continue to expand in both quality and quantity, especially where the market is uncontrolled by cGMP. Price competition is extremely fierce and the price ethics and market order have been completely destroyed. However, along with reinforced audit of pharmaceutical companies in China and India by EU and US FDA and increasing awareness of the importance of drug safety, the requirement for cGMP is becoming more and more stringent. Accordingly, a new milestone for quality standards for API drugs will be set. A raising of the threshold presents opportunities for companies such as CCSB that have a solid foundation in cGMP practices. We are committed to maintaining our competitiveness and expanding our development of technology and high market potential products in greater depth. We strive to achieve steady growth in both the domestic and foreign markets.

Finally, we wish every one of our shareholders health and success.

Wang, Hsun-Sheng, Chairman

II. Company Profile

(I) Founding of the Company: May 19, 1964

(II) Corporate history

1. Merger, reinvestment in affiliated companies or restructure in the most recent year up to the date of publication of this report: none
2. Major equity transfer or exchange events involving directors, supervisors or major shareholders holding more than 10 percent of the Company's shares in the most recent year up to the date of publication of this report: none
3. Major changes in the management, operations or businesses and other significant events that have serious impact on the rights of shareholders and the company: none
4. Past events that have major influence on the development of the Company:

   CCSB was founded in 1964by Mr. Wang, Min-Ning, a former representative of the National Congress. At the initial stage, the Company was a manufacturer and trader of API drugs, mainly antibiotics, as well as intermediates and chemical materials. In 1997, CCSB began to export its products and successively completed construction of a cGMP biotech plant, a cGMP API synthesis plant and other pilot plants. Successively, these plants were certified by the US FDA and German drug authorities and audited by several pharmaceutical companies based in Europe, the US and India. CCSB products are currently certified to international standards and many have successfully entered the markets of Europe and the US. The section below is a summary of CCSB's milestones:

   1963 ● Planned and built manufacturing plant in Shulin City, Taipei County with a capital of NT$10 million and issued 100,000 shares at NT$100 per share.

   1965 ● Expanded the plant and added new facilities to accommodate production of 10 products, acquired the land for the Shanjia Plant.

   1979 ● Built new factories and added new production facilities for the technology collaboration project with Japan Far East Fatty Acid Co., Ltd., and reinforced the quality of corrugated fiberboard, paperboard, and packaging cartons.

1990	● CCSB's Shulin R&D Center became operational.
1997	● Cash capital was increased by NT$255 million in October, raising paid-in capital to NT$700 million. ● Production of painkiller, Acetaminphen, which passed US FDA audit in October. ● Construction of Sulin Plant, a new cGMP API plant, commenced on November 12.
1999	● Construction of new cGMP biotech API plant commenced in January and was completed in December. ● New API cGMP plant completed mass production of GLP, MCB and GGE. ● Invested in the US and founded Pharmaports, LLC. ● Cash capital was increased by NT$220 million in December, raising paid-in capital to NT$920 million.
2002	● Passed the cGMP audit by US FDA in April and the local Food and Drug Administration on November 22.
2003	● The MCB-based synthesis plant passed the cGMP audit by the US FDA in April; total exports of MCB to the US reached 210 tons, attaining No. 1 spot in the US market. ● The Company was officially renamed Chunghwa Chemical Synthesis & Biotech Co. Ltd. in June. ● Capital reduction of NT$518 million was launched in September to offset accumulated losses and to improve the financial structure. Cash capital was decreased by NT$518 million and increased by NT$250 million. ● Manufacturing process of Pravastatin was certified by Sankyo for non-infringement in December and the product successfully entered the Japan market in the same year.
2004	● Immunosuppressive drug, Tacrolimus, was successfully developed and semi-work trial production was completed. ● Immunosuppressive drug, Rapamycin, passed the audit by the US customer; shipping of this product began. ● Installation of 30-ton fermentation tank was completed and

trial run commenced.

2005
- New immunosuppressive drug, Rapamycin, was recognized by the US customer for good quality and punctual delivery and launched into clinical trial with stable supply.
- A Swiss pharmaceutical company commissioned CCSB to manufacture the intermediate ZP-3 to ZP-7 of Fosinopril.
- Installation of 30-tone fermentation tank and trial run were completed; the facility was officially launched into mass production.
- Passed full-plant cGMP audit by the US FDA targeted on Pravastatin production in December.

2006
- New immunosuppressive drug, Tacrolimus, was recognized by the US customer for good quality and punctual delivery.
- Cholesterol-lowering drug, Pravastatin, successfully entered the US market.
- Export of muscle relaxant, Methocarbamol, reached a record high of 269 tons.
- Achieved breakthrough in the production of Fosinopril intermediates for Swiss pharmaceutical company; ZP-3 was extended to ZP-7.
- Dr. Dai Rui from the U.S. was recruited as a special assistant to the President to reinforce consolidation of biotech and non-biotech resources and expedite the progress of R&D; he was also given full authorization to oversee the operation of the R&D center.

2007
- The biotech plant’s 30-ton tank was launched into mass production for immunosuppressive drugs Rapamycin, Tacrolimus and Mycophenolate Mofetil.
- Validation of immunosuppressive drug, Mycophenolate Mofetil, was completed.
- Development and trial production of OEM products Olopatadine and Perindopril were completed; the products were launched into mass production.

2008
- Laboratory development for downstream products of Rapamycin, including Everolimus, Temsirolimus and Zotarolimus, was completed; the product line of immunosuppressive drugs was expanded into the second generation.
- Upstream-downstream R&D consolidation with CCPC for Tacrolimus SD was completed; the two sides launched BE testing and ANDA application simultaneously.
- Validation of immunosuppressive drug, Mycophenolate Mofetil, was completed. The plant passed cGMP audits by three US pharmaceutical companies. CCSB became one of the major suppliers in North America.

2009
- Passed cGMP audit by German drug authority in February
- Cash capital increase of NT$50 million in August reinforced the financial structure of the Company; the paid-in capital after increase came to NT$702 million.
- Tacrolimus SD and finished products jointly developed with CCPC passed the BE test through a renowned US pharmaceutical company and ANDA.
- CCSB officially listed on the Taipei Exchange (TPEx) in December.

2010
- Cash capital increase of NT$73.6 million was launched on December 16; the paid-in capital after increase came to NT$775.6 million.
- CCSB officially listed on TWSE on December 20th.

2011
- Obtain US Patent for Process for making Biolimus A9 in January.
- Production of three products, Mycophenolate Mofetil, Dexbrompheniramine Maleate and Tacrolimus, was audited by US FDA in April. Immunosuppressive drugs Tacrolimus and Sirolimus were launched into the Japan market.
- Fungins were launched into the European market.

2012
- Taiwan patents for improved synthesis process for

	Tacrolimus and its analogues, Biolimus A9 and its analogues, and the process to improve their stability were approved.
	● A parcel of land in Guanyin Township, Taoyuan County was acquired for expansion of production facilities.
	● Analytical Laboratory was added in April and headed by the Special Assistant to the President, Dr. Cheng Hong-Yuan.
	● Development of new product, Everolimus, was successfully completed in April.
	● Development of new product, Ethyl Icosapentate, was successfully completed in April.
	● Production of Pravastatin passed cGMP audit by German officials in May.
	● US patent for the process for preparation of Temsirolimus was approved in September.
	● Obtain Taiwan Patent for Caspofungin in October.
2013	● Taiwan Patent for the process for preparation of MPA Sodium was approved in January.
	● Everolimus was certified by US DMF in March.
	● OLO and Rapa production passed TFDA audit in May.
	● Tacrolimus production passed audit by Japanese officials in June.
	● Signed R&D contracts for strategic alliances with China Jinan Wuhuan Medical and Pharmaceutical Co. and China Suzhou Pengxu Pharma Co., Ltd. in July, respectively.
	● Tacrolimus production passed audit by South Korean officials in August.
	● Everolimus Pre-Mix was certified by US DMF in August.
	● Metaxalone was certified by US DMF in September.
	● Everolimus and Caspofungin production passed TFDA audit in October.
	● Caspofungin was certified by US DMF in November.

2014
- The Board of Directors meeting in March approved the appointment of Special Assistant to the President, Dr. Cheng, Hong-Yuan, to the position of VP of R&D.
- The Biotech and Synthesis Plant passed US FDA audit in May.
- US patent for the process for preparation of Ridaforolimus was approved in June.
- Taiwan patent for the process for preparation of Ridaforolimus was approved in July.

2015
- Part of the land in Taoyuan Industrial Park was sold in January.
- Pravastatin Sodium and Tacrolimus passed audit by German officials in March.
- Passed TFDA plant audit in March.
- CCSB President Dr. Chang, Hsiang-Han retired in May. Dr. Yang, Chi-Ping was appointed as his successor.
- Passed plant audit by Mexican officials in May.

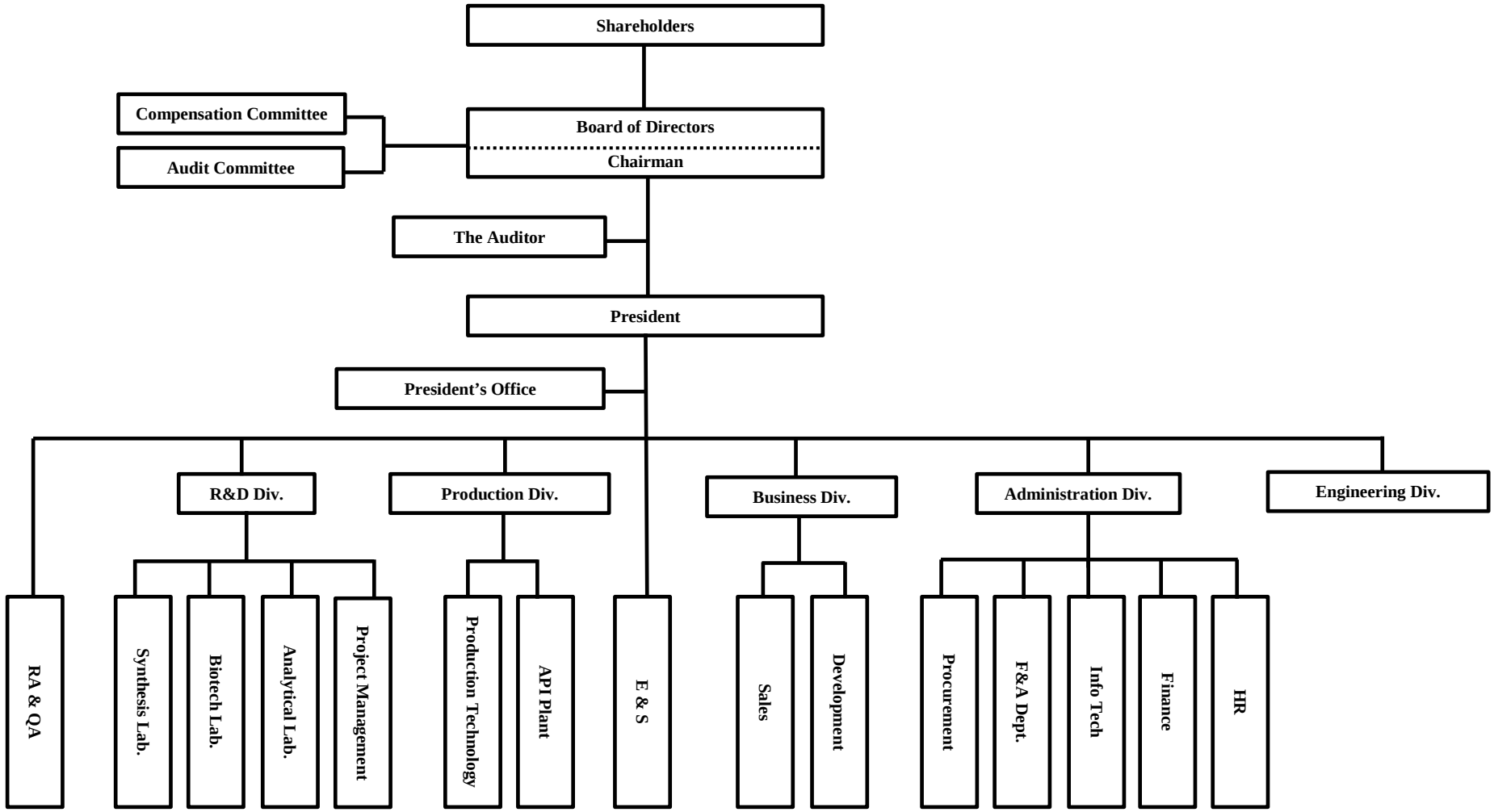
2016
- The Board of Directors Meeting in March approved the retirement of VP of R&D, Dr. Cheng, Hong-Yuan.
- Due to an adjustment in the organizational structure in May, VP of Sales, Mr. Huang, Chong-Hsin, was reappointed VP of the Administration Division and newly recruited Mr. Chen, Chuan-Wen was appointed as the VP of Sales.
- Certified to ISO 50001 in December.
- Won the gold medal at the 2015 Pharmaceutical Technology Research and Development Awards (hosted by the Ministry of Health and Welfare and the Ministry of Economic Affairs) for the manufacturing technology category in December; the award-winning products are MMF and EVE.

III. Corporate Governance Report

(I) Organizational Structure

1.Organization Chart

Chunghwa Chemical Synthesis & Biotech Co., Ltd. Organization Chart



2. Departments&Functions:

Department	Functions
President’s Office	Handles the Company's operations, development, document management and other related affairs.
The Auditor's Office	Monitors the Company's internal control and internal audit systems, reviews the soundness of internal control self-assessment and improvement tracking procedures, and proposes recommendations for relevant analysis and assessments.
Finance Department	Handles cashier operations, capital planning, accounting, taxation, financial reports and budget review, stock affairs planning and management, credit control, payment collection and payment follow-up.
Human Resource Department	Handles human resource related operations, including recruitment and appointment, salaries and benefits, performance evaluation, training and development.
F&A Department	Handles and manages general administration for the whole plant, custody of company seals and procurement of production components and materials.
Information Technology Department	Carries out analysis and management of the Company's computerized operations and systems.
Sales Department	1. Handles development of domestic and foreign customers, product sales and marketing and product exchange and replacement services. 2. Carries out new product planning and introduction, market research and analysis, pricing and product distribution.
Procurement Department	1. Carries out procurement strategy planning and implementation for materials needed for production and R&D. 2. Carries out searches for new materials and intermediates.
Development Department	Takes charge of collection and analysis of global market information and screening potential developments for new products.
Engineering Division	Takes charge of plant construction and new production line setup.
API Plant	Handles production of materials for synthesis reaction of medical drugs, chemical engineering products and fermentation of medical drugs.
Production Technology Department	Takes charge of overall manufacturing process R&D.
Environment & Safety Division	1. Handles wastewater, air pollution and waste disposal related affairs. 2. Handles employee safety and health related affairs.
Project Management Department	Handles administration of overall process research projects.
Synthesis Laboratory	Carries out development and improvement of manufacturing processes for chemical synthesis products, helps the production units to improve manufacturing processes and lower costs, and sets up production SOP.
Bio Tech Laboratory	Carries out development and improvement of manufacturing processes for biotech products, helps the production units to improve manufacturing processes and lower costs, and sets up production SOP.
Analytical Laboratory	Takes charge of analysis, research and development and transfer of analysis method validation to quality control units.
RA & QA Division	Enforces GMP, including quality assurance, management and validation, and regulatory affairs, such as factory audit and drug permit application.

(II) Background information of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of departments and branches

1. Directors and Supervisors

(1) Directors and Supervisors: April 2, 2017

Unit: share

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed)	Term	Date of First Appointment	Shares Held upon Election		Shares Currently Holding		Shares Currently Held by Spouse and/or Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Current Position in CCSB and/or Other Companies	Any executive officer, director or supervisor who is a spouse or relative within the second degree of kinship		
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
Chairperson	R.O.C.	Wang Hsun-Sheng	Male	May 31, 2016	3 years	May 28, 1994	2,854,230	3.68%	2,854,230	3.68%	117,787	0.15%	0	0%	MBA, Yale University, USA Chairman of China Chemical & Pharmaceutical Co., Ltd.	CCSB: Chairperson Others: Note 2	Director	Wang Hsun-Hui	Brother
Director	R.O.C.	Wang Hsun-Hui	Male	May 31, 2016	3 years	Oct. 29, 1988	1,864,768	2.40%	1,864,768	2.40%	77,787	0.10%	0	0%	School of Art, State University of New York Chairman of China Chemical & Pharmaceutical (Suzhou) Co., Ltd.	CCSB: none Others: Note 3	Chairperson	Wang Hsun-Sheng	Brother
Director	R.O.C.	China Chemical & Pharmaceutical Co., Ltd.	-	May 31, 2016	3 years	May 12, 1998	17,331,064	22.35%	17,331,064	22.35%	0	0%	0	0%	-	CCSB: none Others: Note 4	None	None	None
	R.O.C.	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun Yin-Nan	Male	May 31, 2016	3 years	Jun. 08, 2010	0	0%	6,636	0.01%	0	0%	0	0%	Department of Labor Relations, Chinese Culture University VP of China Chemical & Pharmaceutical Co., Ltd.	CCSB: none Others: Note 5	None	None	None
Director	R.O.C.	Wang Ming-Ning Memorial Foundation	-	May 31, 2016	3 years	May 31, 2016	1,691,982	2.18%	1,691,982	2.18%	0	0%	0	0%	-	CCSB: none Others: Note 6	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed)	Term	Date of First Appointment	Shares Held upon Election		Shares Currently Holding		Shares Currently Held by Spouse and/or Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Current Position in CCSB and/or Other Companies	Any executive officer, director or supervisor who is a spouse or relative within the second degree of kinship		
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
	R.O.C.	Wang Ming-Ning Memorial Foundation Representative: Yang Chih-Ping	Male	May 31, 2016	3 years	May 31, 2016	0	0%	0	0%	0	0%	0	0%	Chemistry PhD, University of Texas at Austin, USA General Manager of Chugai Pharma Taiwan Ltd.	CCSB: General Manager Others: Note 7	None	None	None
Independent Director	R.O.C.	Wang Kuo-Chiang	Male	May 31, 2016	3 years	Jun. 08, 2010	0	0%	0	0%	0	0%	0	0%	EMBA National Chiao Tung University Special Assistant to the President, Head of Auditing, Acting General Manager cum Spokesperson, Dah Fung CATV Co., Ltd. General Manager cum Spokesperson, Taiwan Digital Broadband Cable TV Co., Ltd.	CCSB: none Others: Note 8	None	None	None
Independent Director	R.O.C.	Tsai Cheng-Hsien	Male	May 31, 2016	3 Years	Ju. 20, 2012	0	0%	0	0%	0	0%	0	0%	Chemical Engineering and Material Science Ph.D., University of Minnesota, USA Chairman, BIONET Corp. CEO, Genetics Generation Advancement (GGA Corp.) 2003 - 2005 Chairman of Asia Pacific Cord Blood Bank Consortium (APCBBC) 2012 - 2013 Regional Vice President of International Society for Cellular Therapy (ISCT)	CCSB: none Others: Note 9	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed)	Term	Date of First Appointment	Shares Held upon Election		Shares Currently Holding		Shares Currently Held by Spouse and/or Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Current Position in CCSB and/or Other Companies	Any executive officer, director or supervisor who is a spouse or relative within the second degree of kinship		
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
Independent Director	R.O.C.	Chang Chih-Hsien	Female	May 31, 2016	3 years	May 31, 2016	0	0%	0	0%	0	0%	0	0%	Statistics PhD, Stanford University, USA Special Assistant to the Chief Architect, Hsiao Chia-Fu Architect and Associates VP, Chia Hsin Property Management and Development Corp. (subsidiary of Chia Hsin Cement Corporation) VP Sales Greater China, Rebeco Asia Investment Management Center (Hong Kong)	CCSB: none Others: Note 10	None	None	None

Note 1: The directors of the board were reelected on May 31, 2016 and an audit committee was set up to replace the supervisor system. Directors China Development Industrial Bank (representative: Hsu Ta-Cheng) and Weng Tsu-Mo and supervisors Cheng Hsi-I and Liu Hsuan-Ta left the board on May 31, 2016. Director Wang Min-Ning Memorial Foundation (representative Yang Chih-Ping) and independent director Chang Chih-Hsien joined the board on May 31, 2016.

Note 2: Chairman of China Chemical & Pharmaceutical Co., Ltd., Tairung Enterprise Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd., Chunghwa Senior Care Co., Ltd., Huyu Co., Ltd. and Sino-Japan Chemical Co.,Ltd., and Director of China Chemical & Pharmaceutical (Suzhou) Co., Ltd.

Note3: Chairman of China Chemical & Pharmaceutical (Suzhou) Co., Ltd., Managing Director of Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial Co., Ltd., Director of China Chemical & Pharmaceutical Co., Ltd., Tairung Enterprise Co., Ltd., TIMPCO International Co., Ltd. and Chunghwa Holding Co.,Ltd. and Supervisor of Sino-Japan Chemical Co.,Ltd.

Note4: Director of Tairung Enterprise Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd., Chunghwa Senior Care Co., Ltd., Sino-Japan Chemical Co.,Ltd. and Phermpep Co., Ltd., and Supervisor of Chunghwa Yuming Healthcare Co., Ltd. and Chunghwa Senior Care Co., Ltd.

Note5: Director of Tairung Enterprise Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd. and China Chemical & Pharmaceutical (Suzhou) Co., Ltd., Supervisor of Phermpep Co., Ltd., President of Chunghwa Yuming Healthcare Co., Ltd., and Vice President of China Chemical & Pharmaceutical Co., Ltd.

Note6: Director of China Chemical & Pharmaceutical Co., Ltd.

Note7:Chairman of Pharmaports LLC (representative of Chunghwa Chemical Synthesis & Biotech Co., Ltd.), Managing Director of Suzhou CCSB Trading Co., Ltd. and Director of CDIB Capital Healthcare Ventures Ltd. (representative of Chunghwa Chemical Synthesis & Biotech Co., Ltd.).

Note8: Chairman of Lian Jie Management Consultants Co., Ltd., Independent Director, Convener of Audit Committee and Member of Compensation Committee of SolidWizard Technology Co.,Ltd., and Independent Director, Convener of Compensation Committee and Member of Merger and Acquisition Committee of Feedback Tech.Corp.

Note 9: Chairman of Bionet Corp., CEO of GGA Corp., Member of Compensation Committee of Les Enphants Co., Ltd., and Independent Director of UNICON Taiwan.

Note 10: Chairperson of Vision Think Tank, Special Assistant to Chief Architect - Hsiao Chia-Fu Architect and Associates, and Supervisor of ADLINK Technology Inc.

(2) List of legal person directors and supervisors with over 10% or top 10 shareholding:

A. Major shareholders of institutional shareholders:

April 2, 2017

Name of institutional shareholders	Major shareholders of institutional shareholders	Shareholding Ratio
China Chemical & Pharmaceutical Co., Ltd.	Synmosa Biopharma Corporation	7.15%
	Wang Hsun-Sheng	4.93%
	Wang Hsun-Hui	4.62%
	Fubon Life Insurance Co., Ltd.	4.36%
	Wang Ming-Ning Memorial Foundation	3.50%
	Citibank(as custodian of Norges Bank Investment Accounts)	1.80%
	Majiade Enterprise Co., Ltd.	1.79%
	Cathay Life Insurance	1.76%
	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	1.69%
	Citibank (Taiwan) (as custodian of Dimensions Emerging Market Assessment Fund Investment Accounts)	1.27%
Wang Ming-Ning Memorial Foundation	—	—

B. Primary shareholders of institutional shareholders

April 2, 2017

Name of corporate shareholders	Major shareholders of institutional shareholders	Shareholding Ratio
Synmosa Biopharma Corporation	Yu Chiao Machinery Co., Ltd.	8.14%
	Lin Chih-Hui	5.52%
	Chun Ho Investment Co., Ltd.	3.46%
	Liao Su-Yao	2.93%
	Wu Su-Han	2.14%
	Liao Ying-Hsiu	1.94%
	Liao Wan-Tzu	1.68%
	Liao Wan-Ju	1.45%
	U-Liang Pharmaceutical Co., Ltd.	1.27%
	Hsian Yi Co., Ltd.	1.10%
Fubon Life Insurance Co., Ltd.	Fubon Financial Holdings Co., Ltd.	100.00%
Wang Ming-Ning Memorial Foundation	—	—
Citibank (as custodian of Norges Bank Investment Accounts)	—	—
Majiade Enterprise Co., Ltd.	Wang-Hsieh I-Chen	52.56%
	Wang Hsun-Sheng	35.65%
	Wang Hou-Chu	5.57%
	Wang Hou-Kai	5.57%
	Hsieh-Hung Cheng-Chih	0.65%

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholder	Shareholding Ratio
Cathay Life Insurance	Cathay Financial Holdings Co., Ltd.	100.00%
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	China Chemical & Pharmaceutical Co., Ltd.	22.35%
	Fubon Financial Holding Venture Capital	3.87%
	Wang Hsun-Sheng	3.68%
	Wang Hsun-Hui	2.40%
	Wang Min-Ning Memorial Foundation	2.18%
	Wang Hsun-Wei	1.29%
	Wang Hsun-Yu	1.29%
	Lin Kui-Mei	1.28%
	Taipei City Kainan High School of Commerce & Industry	0.93%
	Tai I-Chen	0.79%
Citibank (Taiwan) (as custodian of Dimensions Emerging Market Assessment Fund Investment Accounts)	—	—

Note: Information sourced from annual reports published on MOPS and the Department of Commerce, Ministry of Economic Affairs.

(3) Do the directors and supervisors have more than five years of work experiences and meet the following criteria? April 2, 2017

Criteria / Name (Note 1)	Has more than 5 years of work experience and the following professional qualifications			Compliance to independence (Note 2)										Currently serving as an independent director of other public companies
	Serve in lecturer role or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the company's operations	Currently serving as ajudge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	
Director Wang Hsun-Sheng	—	—	V	—	—	—	—	—	—	—	—	V	V	None
Director Wang Hsun-Hui	—	—	V	—	—	—	—	—	—	—	—	V	V	None
Director China Chemical & Pharmaceutical Co., Ltd.; Representative: Sun Yin-Nan	—	—	V	—	—	V	V	—	—	—	V	V	—	None
Director Wang Min-Ning Memorial Foundation; Representative: Yang Chih-Ping	—	—	V	—	—	V	V	V	V	V	V	V	—	None
Independent Director Wang Kuo-Chiang	—	V	V	V	V	V	V	V	V	V	V	V	V	2
Independent Director Tsai Cheng-Hsien	—	—	V	V	V	V	V	V	V	V	V	V	V	1
Independent Director Chang Chih-Hsien	—	—	V	V	V	V	V	V	V	V	V	V	V	None

Note: Please add more rows to accommodate additional entries.

Note 2: Please "□" the box under each criteria number if the director or supervisor meets the criteria two years prior to resuming the position or during the term of service.

(1) Not an employeeof the Company or any of its affiliates.

(2) Directors and supervisors of companies not affiliated with CCSB (not limited to independent directors appointed by the company, its parent company or subsidiaries in accordance with this Act or local regulations).

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held inthe name of the person's spouse, minor children, or others.

(4) Not a spouse, a relative within second-degree kinship or blood relative within fifth-degree kinship of any of the personnel listed in (1) to (3) above.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a Director, Supervisor, managerial officer, or shareholder holding more than 5% of shares ofa specified company or institution that has a financial or business relationship with the Company.
(7) Is not a professional, sole proprietor, partner, or a company that offers business administration, legal, financing, or accounting services or consulting services to the Company, and is not an owner, partner, director, supervisor, manager, or a spouse of any of the abovementioned roles at a company that offers these services to the Company. 7. Not a business owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse of a professional, sole proprietorship, partnership, corporation or organization that receives business, legal, financial, or accounting service or consultation from the Company or its affiliates.
(8) Is not a spouse of, or has second-degree family relationships with the other directors.
(9) Does not have conditions stated in Article 30 of the Company Act.
(10) Is not nominated as a government, corporate entity, or its representative, as stated in Article 27 of the Company Act.
Note 3: The directors were reelected at the shareholdermeeting held on May 31, 2016 and an Audit Committee was set up to replace the supervisor system. Directors China Development Industrial Bank (representative Hsu Ta-Cheng) and Weng Tsu-Mo and supervisors Cheng Hsi-I and Liu Hsuan-Ta left their positions on May 31, 2016. Director Wang Min-Ning Memorial Foundation (representative Yang Chih-Ping) and Independent Director Chang Chih-Hsian were appointed to the Board on May 31, 2016.

2. Information of the President, Vice Presidents, Assistant Vice Presidents and heads of departments and branches: April 2, 2016 Unit: share

Title	Nationality	Name	Gender	Date Elected (Resumed) Date	Shares held		Shares held under spouse or minor children's names		Shares Held in the Name of Other Persons		Education and Work Experiences	Position in other company	Spouse or relative within second degree of kinship in the panel of executives		
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
General Manager	R.O.C.	Yang Chih-Ping	Male	May 11, 2015	0	0.00%	0	0%	0	0%	Chemistry PhD, University of Texas at Austin, USA General Manager of Chugai Pharma Taiwan Ltd.	Chairman of Pharmaports LLC (representative of CCSB) Managing Director of Suzhou CCSB Trading Co., Ltd. Director of CDIB Capital Healthcare Ventures Ltd. (representative of CCSB)	None	None	None
Engineering Division Vice President	R.O.C.	Tsai Chi-Feng	Male	Jul. 1, 1999	27,000	0.03%	0	0%	0	0%	Chemical Engineering, Taipei Institute of Technology Deputy Plant Manager, SCI Pharmtech, Inc. Plant Manager, United Overseas Industries Co.,Ltd.	None	None	None	None
Vice President Administration	R.O.C.	Huang Chong-Hsin	Male	Dec. 29, 1999	69,411	0.09%	0	0%	0	0%	Chemical Engineering, Chung Yuan Institute of Technology	None	None	None	None

Title	Nationality	Name	Gender	Date Elected (Resumed) Date	Shares held		Shares held under spouse or minor children's names		Shares Held in the Name of Other Persons		Education and Work Experiences	Position in other company	Spouse or relative within second degree of kinship in the panel of executives		
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
Division											General Manager of Shaoguan Pharmaceutical Company, China				
Vice President Business Division	R.O.C.	Chen Chuan-Wen	Male	Jun. 1, 2016	0	0.00%	0	0%	0	0%	Medical Laboratory Science and Biotechnology, Taipei Medical University Chugai Pharmaceutical Co. Taiwan Manager of Marketing Department	None	None	None	None
Vice President R&D Division	R.O.C.	Cheng Hong-Yuan (Note 1)	Male	Mar. 7, 2014	0	0.00%	0	0%	0	0%	Chemistry PhD, Ohio State University, USA Head of R&D, GSK Taiwan Researcher, Biomedical Technology and Device Research Laboratories Special Assistant to the President cum Head of Analytical Laboratory	None	None	None	None
Manager Auditor's Office	R.O.C.	Hong Chao-Sheng	Male	Dec. 31, 1998	26,330	0.03%	0	0%	0	0%	MBA, Chung Yuan Christian University Manager of Information Technology, Albatron Electronics	None	None	None	None
Manager Finance Department	R.O.C.	Li Chih-Hong	Male	Oct. 1, 1993	21,834	0.03%	0	0%	0	0%	Public Finance, Feng Chia University Assistant Manager, Finance Department, CCPC Senior Executive, Auditor's Office, CCPC	Supervisor, Suzhou CCSB Trading Co., Ltd.	None	None	None
Manager Information Technology Department	R.O.C.	Chen Chung-Ho (Note 2)	Male	Apr. 1, 2005	0	0%	0	0%	0	0%	Mechanical Engineering, Lunghwa Institute of Science and Technology Manager of Information Technology, CCPC	None	None	None	None

Title	Nationality	Name	Gender	Date Elected (Resumed) Date	Shares held		Shares held under spouse or minor children's names		Shares Held in the Name of Other Persons		Education and Work Experiences	Position in other company	Spouse or relative within second degree of kinship in the panel of executives		
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
Plant Manager	R.O.C.	Tseng Kuo-Hsien	Male	Jul. 1, 1987	2,051	0.00%	0	0%	0	0%	Chemical Engineering, National Cheng Kung University Deputy Plant Manager, CCSB API Plant	None	None	None	None
Director Synthesis Laboratory	R.O.C.	Li Kuang-Tsung	Male	Jul. 1, 1997	21,000	0.03%	0	0%	0	0%	Chemistry PhD, National Tsing Hua University Manager of Synthesis Laboratory, CCSB	None	None	None	None
Director Bio Tech Laboratory	R.O.C.	Mai Chin-Cheng	Male	Jul. 1, 2000	13,000	0.02%	0	0%	0	0%	Chemistry PhD, National Taiwan University Assistant Directors, Bio Tech Laboratory, CCSB	None	None	None	None
Manager RA & QA Division	R.O.C.	Wang Wen-Ping	Male	Mar. 3, 2003	19,854	0.03%	0	0%	0	0%	Chemical Engineering PhD, University of Massachusetts, USA Manager of Quality Assurance, Allied Biotech Corporation	None	None	None	None
Manager Sales Department	R.O.C.	Chen Ying-Chi (Note 3)	Male	Aug. 1, 2010	12,000	0.02%	0	0%	0	0%	Master in Microbiology and Immunology, National Yang Ming University Account Manager, Everlight Chemical Industrial Co. Taiwan	None	None	None	None
Manager Procurement Department	R.O.C.	Chen Cheng-Hung	Male	Aug. 1, 2010	16,000	0.02%	0	0%	0	0%	Pharmacy , Kaohsiung Medical University Academic Pharmacist, Standard Chem & Pharm Co., Ltd.	None	None	None	None
Manager F&A Department	R.O.C.	Sung Tsung-Hui	Male	Aug. 1, 2010	3,034	0.00%	0	0%	0	0%	Chemical Engineering, Southern Taiwan University of Science and Technology Assistant Manager of	None	None	None	None

Title	Nationality	Name	Gender	Date Elected (Resumed) Date	Shares held		Shares held under spouse or minor children's names		Shares Held in the Name of Other Persons		Education and Work Experiences	Position in other company	Spouse or relative within second degree of kinship in the panel of executives		
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
											General Affairs Department, CCSB				
Manager Human Resources Department	R.O.C.	Peng Ching-I	Female	Jan. 11, 2016	0	0.00%	0	0%	0	0%	Bachelor of Commerce, University of Melbourne, Australia Qualcomm International, Inc. Head of Learning and Development Program	None	None	None	None
Manager Information Technology Department	R.O.C.	Chen Chun-Ming	Male	Feb. 13, 2017	0	0.00%	0	0%	0	0%	Master of Information Management, Yuan Ze University Protech Pharmaservices Corp. Director of Information Technology	None	None	None	None
Manager E&S	R.O.C.	Tseng Hsiang-Hung	Male	Mar. 30, 2017	0	0.00%	0	0%	0	0%	Master of Environmental Planning and Management, National Taipei University of Technology.	None	None	None	None

Note 1: VP of R&D, Mr. Cheng Hong-Yuan, retired on April 1, 2016.

Note 2: Manager of Info Tech, Mr. Chen Chung-Ho, retired on February 16, 2017.

Note 3: Manager of Sales, Mr. Chen Ying-Chi, left on September 29, 2016.

(III). Compensations of Directors, Supervisory Board Members, President and Vice Presidents

1. Remunerations of directors, supervisory board members, president and vice presidents in recent years

(1) Aggregate remuneration information, with the name(s) indicated for each remuneration range Unit: in thousands December 31, 2016

Title	Name (Note 1)	Remuneration of Directors								Total of A, B, C and D as percentage of net profit (%) (Note 10)		Remuneration Paid to Concurrent Employees								Proportion of NIAT after summing items A, B, C, D, E, F and G (%) (Note 10)		Whether the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 11)
		Base Compensation (A) (Note 2)		Gratuity/Pension (B)		Director's benefits (C) (Note 3)		Allowances (D) (Note 4) (Note 13)				Salary, Bonus and Allowances (E) (Note 5) (Note 14)		Retirement pension (F)		Employee remuneration (G) (Note 6)						
																The Company		Companies in the consolidated financial statements (Note 7)				
		CCSB	All companies listed in this financial report (Note 7)	CCSB	Companies in the consolidated financial statements(Note 7)	CCSB	Companies in the consolidated financial statements(Note 7)	CCSB	Companies in the consolidated financial statements(Note 7)	CCSB	Companies in the consolidated financial statements(Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	Cash Amount	Stock/ Amount	Cash Amount	Stock/ Amount	CCSB	Companies in the consolidated financial statements(Note 7)	
Chairperson	Wang Hsun-Sheng	4,304	4,304	0	0	1,040	1,040	264	264	9.30	9.30	11,901	11,901	0	0	737	0	737	0	30.27	30.27	0
Director	Wang Hsun-Hui																					
Director	China Development Industrial Bank (CDIB) Representative: Hsu Ta-Cheng																					
Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun Yin-Nan																					
Director	Wang Min-Ning Memorial Foundation Representative: Yang Chi-Ping (Note 12)																					
Director	Weng Tsu-Mo (Note 12)																					

Independent Director	Wang Kuo-Chiang																					
Independent Director	Tsai Cheng-Hsien																					
Independent Director	Chang Chih-Hsien (Note 12)																					
*In addition to the information disclosed in the table above, has any director of the Company (CCSB) provided services to any of the companies included in the consolidated financial statements and received compensations for such services (e.g. provided consultation services in a non-employee capacity): None.																						

Table of Remuneration Levels

Remuneration Ranges for Directors	Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	CCSB (Note 8)	Companies in the consolidated financial statements (Note 9) H	CCSB (Note 8)	Companies in the consolidated financial statements (Note 9) I
Less than 2,000,000 NTD	Wang Hsun-Hui, Hsu Ta-Cheng (representative of CDIB) and representatives of CCPC: Sun Yin-Nan, Weng Tsu-Mo, Tsai Cheng-Hsien, Wang Kuo-Chiang, Chang Chih-Hsien	Wang Hsun-Hui, Hsu Ta-Cheng (representative of CDIB) and representatives of CCPC: Sun Yin-Nan, Weng Tsu-Mo, Tsai Cheng-Hsien, Wang Kuo-Chiang, Chang Chih-Hsien	Wang Hsun-Hui, Hsu Ta-Cheng (representative of CDIB) and representatives of CCPC: Sun Yin-Nan, Weng Tsu-Mo, Tsai Cheng-Hsien, Wang Kuo-Chiang, Chang Chih-Hsien	Wang Hsun-Hui, Hsu Ta-Cheng (representative of CDIB) and representatives of CCPC: Sun Yin-Nan, Weng Tsu-Mo, Tsai Cheng-Hsien, Wang Kuo-Chiang, Chang Chih-Hsien
Between 2,000,000 NTD (inclusive) to 5,000,000 NTD (excl.)	Wang Hsun-Sheng	Wang Hsun-Sheng	Wang Hsun-Sheng	Wang Hsun-Sheng
Between 5,000,000 NTD (inclusive) to 10,000,000 NTD (excl.)	None	None	None	None
Between 10,000,000 NTD (inclusive) to 15,000,000 NTD (excl.)	Wang Ming-Ning Memorial Foundation; Representative: Yang Chih-Ping	Wang Min-Ning Memorial Foundation; Representative: Yang Chih-Ping	Wang Ming-Ning Memorial Foundation; Representative: Yang Chih-Ping	Wang Ming-Ning Memorial Foundation; Representative: Yang Chih-Ping
Between 15,000,000 NTD (inclusive) to 30,000,000 NTD (excl.)	None	None	None	None
Between 30,000,000 NTD (inclusive) to 50,000,000 NTD (excl.)	None	None	None	None
Between 50,000,000 NTD (inclusive) to 100,000,000 NTD (excl.)	None	None	None	None
More than 100,000,000 NTD	None	None	None	None
Total	9	9	9	9

Note 1: The names of directors shall be listed separately (names of institutional shareholders and representatives shall be listed separately), and the payment amounts shall be disclosed collectively. Director(s), who is/are also the president/vice presidents, is/are already listed in this table and in Table 3 below.

Note 2: Remuneration of directors in 2015 (including salaries, job remuneration, severance, bonuses, and performance fees).

Note 3: Refers to the amount of compensations to the directors approved by the board in the most recent year. CCSB's compensations to the directors in 2016 are based on the proposed amount approved by the board of directors.

Note 4: Business expenses paid out to directors in the most recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall not be included.

Note 5: Remuneration for directors concurrently holding positions in the company (for positions that include the General Manager, Deputy General Manager, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall not be included. Remunerations disclosed in accordance with IFRS 2 (Share-based Payment), including employee stock options, employee restricted new stock and shares subscribed from cash capital increase.

Note 6: For directors concurrently holding positions in the company in 2015 (including the President, Vice Presidents, other executive officers and employees) and receiving the remuneration (including stock and cash), the employee's remuneration paid in 2015 upon approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remunerations to be distributed in 2015 shall be based on the proportion of the remuneration

distributed last year and filled in Schedule (2).

Note 7: Total remuneration in the various items paid out to the Company's directors by all companies (including this Company) listed in the consolidated statement shall be disclosed.

Note 8: For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.

Note 9: Total remuneration in various items paid to every director of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The names of the directors shall be disclosed in the proper remuneration range.

Note 10: Net income after tax refers to the net income after tax in the most recent year. If IFRS is adopted, the net income after tax refers to the net income after tax in each individual company only or individual financial report in the most recent year.

Note 11: (a) Remunerations received by the Company's directors from other non-subsidiary companies invested by the Company shall be disclosed in this column.

(b) If directors of the Company receive remunerations from other non-subsidiary companies invested by the Company, the said remunerations shall be included in Column I of the remuneration range table. The name of the column shall also be changed to “All investments in other companies”.

(c) Remuneration in this case shall refer to remuneration, fees (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the director of this Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that this company has invested in.

Note 12: The board of directors was elected at the May 31, 2016 shareholder meeting. An Audit Committee was also set up to replace the supervisory board system. Directors, CDIB (representative Hsu Ta-Cheng) and Wen Tsu-Mo, and supervisors Cheng Hsi-I and Liu Hsuan-Ta left the board on May 31, 2016. Director, Wang Min-Ning Memorial Foundation (representative Yang Chih-Ping) and Independent Director, Chang Chih-Hsian, were appointed to the Board on May 31, 2016.

Note 13: Including NTD 200,000 for car lease.

Note 14: Including NTD 1,096,000 for car lease. Driver wages NTD 959,000 were not included in the remunerations.

＊The remuneration disclosed in the table is different from the income stipulated in Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(2) Compensations for Members of the Supervisory Board (disclosure of individual names and compensations)

Unit: in thousands December 31, 2016

Title	Name (Note 1)	Supervisor's remuneration						Proportion of NIAT after summing items A, B, and C (%) (Note 8)		Whether the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 9)
		Investment (ROI) (A) (Note 2)		Bonus to Supervisors (B) (Note 3)		Business operating costs (C) (Note 4)				
		CCSB	Companies in the consolidated financial statements (Note 5)	CCSB	Companies in the consolidated financial statements (Note 5)	CCSB	Companies in the consolidated financial statements (Note 5)	CCSB	Companies in the consolidated financial statements (Note 5)	
Supervisor	Liu Hsuan-Ta (Note 10)	50	50	0	0	8	8	0.10	0.10	0
Supervisor	Cheng Hsi-I (Note 10)	50	50	0	0	4	4	0.09	0.09	0

Note 1: The names of directors shall be listed separately (names of institutional shareholders and representatives shall be listed separately) and payments shall be disclosed collectively.

Note 2: Supervisor's remuneration in 2015 (including supervisor's salary, job remuneration, severance, various bonuses, and performance fees).

Note 3: Refers to the amount of compensations to supervisors approved by the board in the most recent year. The amount of compensations to supervisors in 2016 is the proposed amount approved by the board of directors.

Note 4: Business expenses paid out for supervisors in 2015 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall not be included.

Note 5: Total remuneration in various items paid out to this Company's supervisors by all companies (including this Company) listed in the consolidated statement shall be disclosed.

Note 6: For the total remuneration in various items paid out to the Company's supervisors, the name of each supervisor shall be disclosed in the corresponding range of the remuneration.

Note 7: Total remuneration in various items paid to every supervisor of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the supervisor shall also be disclosed in the proper remuneration range.

Note 8: Net income refers to the net income in 2015; if IFRS is adopted, the net income refers to the net income in parent company only or individual financial report in 2015.

Note 9: a. Whether the company's supervisors received compensations from non-subsidiary companies invested by the Company shall be clearly indicated in this column.

b. If the supervisor receives remuneration from investments in other companies that are not subsidiaries of this company, the said remuneration shall be included in Column D in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

c. Compensations refer to remunerations (including remunerations for employees, directors and supervisors), rewards and reimbursement of expenses received by supervisors of the Company in the capacities as directors, supervisors or executive officers of non-subsidiary companies invested by the Company.

Note 10: The board of directors was reelected on the May 31, 2016 shareholder meeting and an audit committee was set up to replace the supervisory board system. Supervisors Cheng Hsi-I and Liu Hsuan-Ta left the board on the same day.

＊The remuneration disclosed in the table is different from the income stipulated in Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(3) Compensations to the President and Vice Presidents (collective disclosure by range)

Unit: NT$ in thousands December 31, 2016

Title	Name	Salary (A) (Note 2)		Retirement Pension (B) (Note 10)		Bonuses and Allowances (C) (Note 3) (Note 11)		Values of employee benefits (D) (Note 4)				Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note 8)		Whether the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 9)
								CCSB		Companies in the consolidated financial statements (Note 5)				
		CCSB	All companies listed in this financial report (Note 5)	CCSB	Companies in the consolidated financial statements (Note 5)	CCSB	All companies listed in this financial report (Note 5)	Cash Amount	Stock amount	Cash Amount	Stock amount	CCSB	All companies listed in this financial report (Note 5)	
President	Yang Chih-Ping	16,293	16,293	462	462	4,575	4,575	1,267	0	1,267	0	37.48	37.48	0
Vice President Engineering Division	Tsai Chi-Feng													
Vice President Administration Division	Huang Chong-Hsin													
Vice President R&D Division	Cheng Hong-Yuan (Note 12)													
Vice President Business Division	Chen Chuan-Wen													

Executive Compensations by Level

Grades of Remunerations to President and Vice Presidents	Name	
	The company (Note 6)	Companies in the consolidated financial statements (Note 7) E
Less than 2,000,000 NTD	Cheng Hong-Yuan	Cheng Hong-Yuan
Between 2,000,000 NTD (inclusive) to 5,000,000 NTD (excl.)	Tsai Chi-Feng, Huang Chong-Hsin, Chen Chuan-Wen	Tsai Chi-Feng, Huang Chong-Hsin, Chen Chuan-Wen
Between 5,000,000 NTD (inclusive) to 10,000,000 NTD (excl.)	None	None
Between 10,000,000 NTD (inclusive) to 15,000,000 NTD (excl.)	Yang Chih-Ping	Yang Chih-Ping
Between 15,000,000 NTD (inclusive) to 30,000,000 NTD (excl.)	None	None
Between 30,000,000 NTD (inclusive) to 50,000,000 NTD (excl.)	None	None
Between 50,000,000 NTD (inclusive) to 100,000,000 NTD (excl.)	None	None
More than 100,000,000 NTD	None	None
Total	5	5

Note 1: Names of the President and Vice Presidents shall be disclosed separately and grouped into different remuneration levels. When a director concurrently serves as the President or a Vice President, his/her remunerations shall be disclosed in this table and Table 1 above.

Note 2: Remuneration, executive differential pay and severance pay to the President and Vice Presidents.

Note 3: Cash and non-cash compensations to the President and Vice Presidents in the most recent year, including bonus, reward, reimbursement of expenses, special allowances, various subsidies, housing and use of vehicle. If housing, vehicle or other means of transportation, or personal allowance is provided, the nature and cost of the asset provided, and the rental, fuel and other payments calculated based on the actual cost or the fair market value shall be disclosed.

If a driver is provided, please note down the salary paid to the driver. However, such payment shall not be included in the remuneration.

Remunerations disclosed in accordance with IFRS 2 (Share-based Payment), including employee stock options, employee restricted new stock and shares subscribed from cash capital increase, shall also be calculated as part of the compensations.

Note 4: Employee remunerations (including shares and cash) given to the President and Vice Presidents approved by the Board of Directors in the most recent fiscal year shall be disclosed. But, if an estimated figure cannot be derived, this year's budgeted compensations shall be calculated based on last year's actual compensations and the attached tables 1 to 3 shall be filled out. Net income after tax (NIAT) refers to after-tax net income for

the most recent fiscal year. For those that adopted IFRS, NIAT refers to after-tax net income in individual or consolidated financial reports for the most recent fiscal year.

Note 5: Total compensations paid out to this Company's President and Vice Presidents by all companies (including CCSB) listed in the consolidated statement are disclosed.

Note 6: Compensations paid to the President and Vice Presidents by CCSB - Names of the President and Vice Presidents are disclosed in the corresponding range.

Note 7: Compensations paid to the President and Vice Presidents by all companies included in the consolidated statements (including CCSB) - Names of the President and Vice Presidents are disclosed in the corresponding range.

Note 8: Net income after tax (NIAT) refers to the after-tax net income in the most recent year. If IFRS is adopted, the NIAT refers to after-tax net income disclosed by each individual company or in each individual financial report of the most recent year.

Note 9: a. Compensations to the Company's President and Vice Presidents from other non-subsidiary companies invested by CCSB are disclosed in this column.

b. If the Company's President or Vice Presidents received compensations from non-subsidiaries companies invested by CCSB, the compensations shall be included in Column E of the table - Executive Compensations by Range, and the name of Column E shall be changed to “All investments in other companies”.

c. Compensation refers to reward, remuneration (including remuneration for company employee, director or supervisor) and reimbursement of expenses paid to the President or Vice Presidents of CCSB serving as director, supervisor or executive officer of other non-subsidiary companies invested by CCSB.

Note 10: Contribution to the retirement pension fund in 2016 (retirement pension not yet paid out).

Note 11: Including vehicle lease of NT$ 1,744,000 and driver salary of NT$ 959,000, which are not calculated into the total of compensations.

Note 12: VP R&D Division, Mr. Cheng Hong-Yuan, retired on April 1, 2016.

Note 13: VP Business Division, Mr. Chen Chuan-Wen, was appointed on June 1, 2016.

＊The content of compensations disclosed in this table is calculated based on a concept different from the concept of income stipulated in the IncomeTaxAct. Content of this table is provided for the purpose of information disclosure, not for taxation purpose.

2. Executives receiving compensation of employee:

December 31, 2016; Unit: NT$ in thousands

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Percentage of total compensations to net income (%)
Executive Officers	President	Yang Chih-Ping	0	2,413	2,413	4.00%
	VP Engineering Division	Tsai Chi-Feng				
	VP Administration Division	Huang Chong-Hsin				
	VP R&D Division	Cheng Hong-Yuan (Note 5)				
	VP Business Division	Chen Chuan-Wen (Note 6)				
	Manager, Auditor's Office	Hong Chao-Sheng				
	Manager, Finance Department	Li Chih-Hong				
	Manager, Information Technology Department	Chen Chung-Ho				
	Plant Manager	Tseng Kuo-Hsien				
	Director, Synthesis Laboratory	Li Kuang-Tsung				
	Director, Bio Tech Laboratory	Mai Chin- Cheng				
	Manager, RA & QA Division	Wang Wen-Ping				
	Manager, Sales Department	Chen Ying-Chi (Note 7)				
	Manager, Procurement Department	Chen Cheng-Hung				
	Manager, F&A Department	Sung Tsung-Hui				
	Manager, Human Resources Department	Peng Ching-I (Note 8)				
	Associate Director, Analytical Laboratory	Chen Ping-Shu (Note 9)				
	Associate Manager, Production Technology Department	Tung Yen-Shih (Note 9)				
	Associate Manager, Project Management Office	Li Ting-Hui (Note 9)				

Note 1: Individual names and titles shall be disclosed, but profit received can be disclosed as total sum.

Note 2: Employee remunerations (including shares and cash) paid to the executives approved by the board of directors in the most recent fiscal year shall be disclosed. If an estimated figure cannot be derived, this year's budgeted compensations shall be calculated based on last year's actual compensations. Net income after tax (NIAT) refers to after-tax net income of the most recent fiscal year. For those adopted the IFRS, NIAT refers to after-tax net income of each individual company or individual financial reports disclosed in the most recent fiscal year.

Note 3: The term "executive" refers to the positions listed below, as provided in the Financial Supervisory Commission Memorandum No. 0920001301 of March 27, 2013:

(1) General Manager and its equivalent

(2) Deputy General Manager and its equivalent

(3) Vice President and its equivalent

(4) Chief of Finance

(5) Chief of Accounting

(6) Other personnel with the authority to manage company affairs and sign for approval.

Note 4: If the Directors, General Manager or Deputy General Managers in the company receive employee benefits (including shares and cash), fill out Table 1 and 2, as well as this table.

Note 5: VP of R&D Division, Cheng Hong-Yuan, retired on April 1, 2016.

Note 6: VP of Business Division, Chen Chuan-Wen, was appointed on June 1, 2016.

Note 7: Manager of Sales Department, Chen Ying-Chi, left the position on September 29, 2016.

Note8: Manager of Human Resources Department, Peng Ching-I, was appointed on January 11, 2016.

Note 9: Deputy Director of Analytical Laboratory, Chen Ping-Shu, Associate Manager of Production Technology Department, Tung Yen-Shih, and Associate Manager of Project Management Office, Li Ting-Hui, were appointed on May 1, 2016.

3. Provide an analysis on the percentage of compensations paid to the Company's Directors, General and Deputy General Managers to the net income of the Company and all companies in the consolidated financial statements in the last two fiscal years, and explain the correlations between/among the compensation policy, standards and mixes and compensation decision-making procedures, operational performance and potential risks.

A. Analysis for the last two years

Year / Item	2015				2016			
	Total compensations (thousand)		Percentage to NIAT (%)		Total compensations (thousand)		Percentage to NIAT (%)	
	CCSB	the consolidated statement	CCSB	the consolidated statement	CCSB	the consolidated statement	CCSB	the consolidated statement
Director Supervisor President and Vice Presidents	28,758	28,758	9.33	9.33	28,317	28,317	46.97	46.97

Note: The percentage of compensations (to NIAT of individual company or individual financial report) paid to the directors, supervisors, president and vice presidents by CCSB and all companies included in the consolidated statement increased in 2016, compared with the percentage in 2015. The main cause of this increase can be attributed to the decrease in the 2016 NIAT as compared with 2015.

B. The correlation between/among the CCSB's compensation policy, standards and mixes, compensation decision-making procedure, operational performance and potential risks:

CCSB's practices regarding compensations to the directors and supervisors have been clearly laid out in the Company's charter. The amounts of the compensations are set based on the involvement of the directors and supervisors in the Company's operations and the value of their contribution, as well as the general standards in the industry. Compensations to the Company's President and Vice Presidents, including remuneration, rewards and employee bonuses, are calculated based on their positions, responsibilities and general standards in the industry. The procedures and standards used to decide the compensations for the directors, supervisors and executive officers are recommended and reviewed by the Compensation Committee every year and sent to the board for discussion before approval.

(IV) Corporate Governance:

1. Operation of the Board of Directors

The Board met 8 times last year (A). The table below shows the attendance of directors and supervisors:

Title	Name (Note 1)	Attendance in person B	Attendance by proxy	Rate of attendance in person (%)【B/A】(Note 2)	Remark(s)
Chairperson	Wang Hsun-Sheng	8	0	100%	Reelected on May 31, 2016
Director	Wang Hsun-Hui	4	4	50%	Reelected on May 31, 2016
Director	Representative of CCPC: Sun Yin-Nan	8	0	100%	Reelected on May 31, 2016
Director	Representative of CDIB: Hsu Ta-Cheng	3	0	100%	Left the board on May 31, 2016 (required to attend 3 meetings)
Director	Wang Ming-Ning Memorial Foundation; Representative: Yang Chih-Ping	5	0	100%	Left the board on May 31, 2016 (required to attend 5 meetings)
Director	Weng Tsu-Mo	3	0	100%	Left the board on May 31, 2016 (required to attend 3 meetings)
Independent Director	Tsai Cheng-Hsien	6	2	75%	Reelected on May 31, 2016
Independent Director	Wang Kuo-Chiang	8	0	100%	Reelected on May 31, 2016
Independent Director	Chang Chih-Hsien	5	0	100%	Reelected on May 31, 2016 (required to attend 5 meetings)
Supervisor	Liu Hsuan-Ta	3	0	100%	Left the board on May 31, 2016 (required to attend 3 meetings)

Supervisor	Cheng Hsi-I	1	0	33%	Left the board on May 31, 2016 (required to attend 3 meetings)

Other required disclosure:

1. When one of the following situations occurred to the operations of the board, state the date and term of the board meeting, content of proposals, opinions of all independent directors and the Company's actions in response to the opinions of the independent directors:
   (1) All conditions listed in Article 14-3 of the Securities and Exchange Act.
   (2) Resolutions of the board, of which an(the) independent director(s) voiced objection or reservation that are documented or issued through a written statement.

Board of Directors	Proposals and Follow-up Actions	Article 14-3, Securities and Exchange Act	Independent director voiced objection or reservation
Mar. 8, 2016 19th Meeting of the 19th Board	1. Revise partial content of the Standard Operating Procedure for Lending of Capital.	V	
	2. Revise partial content of the Standard Operating Procedure for Endorsements and Guarantees.	V	
	Revise partial content of the Standard Operating Procedure for Acquisition and Disposal of Assets.	V	
	Revise partial content of the Standard Operating Procedure for Trading of Derivative Products.	V	
	Opinions of Independent Directors: none		
	Actions in response to independent directors' opinions: none		
	Resolution: All directors present voted in favor of the proposals.		
May 5, 2016 21st Meeting of the 19th Board	1. Proposal to revise the internal control system, internal audit enforcement rules and "Guidelines for Governance of Subsidiaries", "Standard Operating Procedure for Internal Control System Self-assessment", "Standard Operating Procedure for Management of Related Party Trading" and "Standard Procedure for Management of Financial Report Compilation Process".	V	
	Opinions of Independent Directors: none		
	Actions in response to independent directors' opinions: none		
	Resolution: All directors present voted in favor of the proposal.		

Nov. 8, 2016 4th Meeting of the 20th Board	1. Proposal to revise the internal control system and internal audit enforcement rules, including the "Standard Operating Procedure for Applying to Suspend and Resume Trading" and "Management of Applications for Suspension and Resumption of Trading".	V	
	Opinions of Independent Directors: none		
	Actions in response to independent directors' opinions: none		
	Resolution: All directors present voted in favor of the proposal.		

2. Directors abstaining in certain proposals for being a stakeholder (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated):
   (1) On June 24, 2016 Board Meeting (2nd meeting of the 20th board), the directors discussed the proposal for executive compensations. Institutional director Wang Min-Ning Memorial Foundation represented by Mr. Yang Chih-Ping, abstained himself from the discussion and voting in accordance with the Company Act since he is also the Company's President. All directors present voted in favor of this proposal.
   (2) On the December 29, 2016 Board Meeting (5th meeting of the 20th board), the directors discussed the proposal for 2016 year-end bonus for personnel in executive positions and higher ranks. Institutional director Wang Min-Ning Memorial Foundation represented by Mr. Yang Chih-Ping, abstained himself from the discussion and voting in accordance with the Company Act since he is also the Company's President. All directors present voted in favor of this proposal.
3. The goals (such as establishing Auditing Committee and increase information transparency, etc.) of strengthening the functionality of the Board of Directors in the current and immediately preceding fiscal years, and the evaluation of their executions:
   (1) To enhance information transparency, the Company enforced the policy to allow shareholders to exercise their voting rights through electronic facilities starting from the shareholder meeting in 2015, and voting results are disclosed through the MOPS after the shareholder meeting. Starting from December 2014, the Company has also published the corporate social responsibility report every year.
   (2) Starting from the 20th board, the Company increased the number of independent directors from 2 to 3 and set up the Audit Committee to replace the supervisory board system, as well as implemented the full-scale nomination system for election of directors.

Note 1: For directors and supervisors that are artificial persons, the name of the shareholders and representative of the said artificial person shall be disclosed.

Note 2. (1) Where directors or supervisors resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual presence (attendance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual presence (attendance) during the term of service.

(2) Where Directors and Supervisors were re-elected before the end of the year, both the incoming and outgoing Directors and Supervisors shall be listed accordingly. The Notes column shall be annotated whether the Director or Supervisor was outgoing, incoming, or re-elected as well as the date of re-election. Actual presence (attendance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual presence (attendance) during the term of service.

2. Operation of the Audit Committee or Supervisors' Involvement in the Operation of the Board of Directors

(1) Operations of the Audit Committee

The Audit Committee met 2 times (A) in the most recent year. Information regarding attendance of the independent directors is provided below:

Title	Name	Number of actual attendance (B)	Number of attendance by proxy	Rate of actual attendance (%) (B/A) (Note)	Remark
Independent Director	Ts'ai Cheng-Hsien	2	0	100%	Newly elected on May 31, 2016
Independent Director	Wang Kuo-Chiang	2	0	100%	Newly elected on May 31, 2016
Independent Director	Chang Chih-Hsien	2	0	100%	Newly elected on May 31, 2016

Other required disclosure:

1. When one of the following situations occurred to the operations of the Audit Committee, state the date and term of the board meeting, content of proposals, opinions of all members of the Audit Committee and the Company's actions in response to the opinions of the Audit Committee:

(1) All conditions listed in Article 14-5 of the Securities and Exchange Act.

(2) Resolutions passed by two-thirds of all directors, but without approval of the Audit Committee.

Board of Directors	Content of Proposals and Follow-up Actions	Conditions listed in Article 14-5 of the Securities and Exchange Act	Resolutions passed by 2/3 of all directors, but without approval of the Audit Committee
Aug. 9, 2016 (3rd meeting of 20th board)	1. Q2 2016 Consolidated Financial Reports	V	
	Resolution of Audit Committee (Aug. 9, 2016): All members of the Audit Committee voted in favor.		
	Action in response to the opinions of the Audit Committee: all directors present voted in favor.		
Nov. 8, 2016 (4th meeting of 20th board)	1. Proposal to revise the internal control system and internal audit enforcement rules, including the "Standard Operating Procedure for Applying to Suspend and Resume Trading" and "Management of Applications for Suspension and Resumption of Trading".	V	

	Resolution of the Audit Committee (Nov. 8, 2016): all members of the Audit Committee voted in favor of the proposal.
	Action in response to the opinions of the Audit Committee: all directors present voted in favor.

2. Directors abstaining in certain proposals for being a stakeholder (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated).

3. Communication between directors and head of internal audit and CPA (including material issues, audit methods and results relating to the Company's finances and business).

(1) Communication between independent directors and head of internal audit:

The Company set up the Audit Committee on May 31, 2016 to replace the supervisory board system. The Audit Committee is composed of all independent directors.

After submitting the audit and tracking report to the Chairman, the head of internal audit shall send the reports to each independent director through email on a monthly basis. The head of internal audit shall also communicate with the members of the Audit Committee (i.e. independent directors) on the results of audit on a regular basis and carry out reporting of internal audit results at an Audit Committee meeting once in every quarter. In extraordinary situations, the Audit Committee shall be updated of the latest development instantly. Members of the Audit Committee maintain optimal communication with the head of internal audit.

(2) Communication between independent directors and CPA:

Independent directors meet with the CPA at least once a year. The CPA carries out reporting on the results of financial statement audit and review, as well as communication on other matters required by law. This meeting provides a face-to-face opportunity for effective communication between the independent directors and the CPA.

(III) Summary of communication between the independent directors and head of internal audit in the most recent year:

Date	Key Points
Aug. 9, 2016	Report on internal audit operations.
Nov. 8, 2016	1. Reported on internal audit operations. 2. Proposed 2017 audit plan.

(IV) Summary of communication between the independent directors and CPA in the most recent year:

Date	Key Points
Aug. 9, 2016	The CPA carried out reporting on the results of review of Q2 2016 consolidated financial statements.
Dec. 29, 2016	The CPA carried out reporting on the new standards for financial statement audit and key audit items for the fiscal year of 2016.

(2) Supervisors' involvement in the operations of the board of directors

The board of directors held 8 meetings (A) in the most recent year. Information regarding attendance is provided in the table below:

Title	Name	Times of attendance in person (B)	Rate of actual presence (%) (B/A) (Note 1)	Remark (Note 2)
Supervisor	Liu Hsuan-Ta	3	100%	Left the board on May 31, 2016 (required to attend 3 meetings)
Supervisor	Cheng Hsi-I	1	33%	Left the board on May 31, 2016 (required to attend 3 meetings)

Other required disclosure:

1. Composition and responsibilities of the supervisors:

(1) Communication between the supervisors and employees/shareholders (e.g. channel and method of communication).

When necessary, supervisors may contact the Company through telephone call or email. The Company invites supervisors to board meetings and shareholder meetings. Supervisors may also request the executives or employees of the Company to report on their operations.

(2) Communication between supervisors and the head of internal audit/CPA (including issues, audit methods and results relating to the Company's finances and business).

1. The Company's head of internal audit attended the regular board meetings and reported the results of audit operations. Reports of internal audit were also forwarded to the supervisors on a regular basis. The supervisors did not raise any objections in 2016.
2. The supervisors and CPA communicated matters regarding financial and business operations through meetings or correspondence. The CPA also reported the results of audit to the supervisors.

2. If the supervisors stated opinions while attending the board meetings, the date and term of the meeting, the contents of the proposals discussed and resolutions passed in the meeting and the Company's actions in response to the opinions of the supervisors shall be provided: None.

Note 1:

*In the event that a supervisor resigns before the end of the year, the Remark column shall be annotated with the date of resignation. The actual attendance rate (%) shall be calculated based on the number of actual attendance during the supervisor's term of service.

*Where supervisors were re-elected before the end of the year, both the incoming and outgoing supervisors shall be listed accordingly. The Notes column shall be annotated whether the supervisor was outgoing, incoming, or re-elected as well as the date of re-election. Actual attendance rate (%) shall be calculated using the figures for actual attendance during the term of service.

Note 2: The directors were reelected on May 31, 2016 and an audit committee was set up to replace the supervisory board system. Supervisors Liu Hsuan-Ta and Cheng Hsi-I left the board on the same day.

3. Differences and causes between the governance and operation of the Company and "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"

Assessed items	Current Operation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
1. Has the company established and disclosed the Corporate Governance Best-Practice Principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		CCSB has established the Corporate Governance Best-Practice Principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and disclosed relevant information on the MOPS and the Company's website.	None
2. The shareholding structure of the Company and shareholder rights				None
(1) Has the Company established an internal SOP to respond to shareholders' suggestions/questions, settle disputes and handle lawsuits, and implement them according to existing rules?	V		(I) CCSB has appointed a spokesperson, a proxy of the spokesperson and a designated staff to handle shareholder services and inquiries. In any event when legal issues or disputes are involved, a lawyer will be engaged to handle the matters.	
(2) Is the Company able to control the main shareholders who actually control the Company and the list of final controllers of the main shareholders?	V		(II) CCSB has appointed a staff to handle shareholder affairs and has full knowledge of the major shareholders and the final controlling parties. The Company has also filed information regarding the board of directors, supervisory board, executives, major parties holding more than 10% of the Company's shares and the changes in shareholder equity.	
(3) Has the Company established and executed the mechanisms of risk management and firewall among its affiliates?	V		(III) Each affiliated company operates independently. CCSB set up the Standard Operating Procedure for Management of Related Party Trading to regulate business activities associated with the affiliated businesses, including procurement and sales, asset trading, lending, endorsement and guarantee. Furthermore, CCSB also set up the Guidelines for Governance of Subsidiaries in the internal control system and established a risk control mechanism through including the subsidiaries in the scope of internal audit and implementing effective control operations.	
(4) Has the Company established an internal regulation to prohibit its employees to buy and sell any marketable securities using undisclosed information in the market?	V		(IV) CCSB set up the Standard Operating Procedure for Handling Material Inside Information, which clearly states that the Company's directors, supervisors, managerial officers, and employees shall exercise due care and fiduciary duty of a good administrator and act in good faith when performing their duties. Directors, supervisors, executive officers or employees with knowledge of material inside information of the Company may not divulge the information to others, nor should they inquire about or collect any non-public material inside information of the Company not related to their individual or non-public material inside information gained from sources other than performance of their duties.	

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">Current Operation (Note 1)</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>Three. Organization and responsibilities of the Board of Directors
(1) Has the Board of Directors drawn up policies on diversity of its members andimplemented them?</td><td>V</td><td></td><td>(I) CCSB laid out its policies for diversified composition of the board in the Company's Procedure for conducting election of Officers of the Board and Corporate Governance Best Practice Principles. Currently, the board consists of directors from a wide spectrum of backgrounds from media to biotechnology. The following table exhibits the diversity of our board of directors.
<table>
<tr><th>Core Competence
Name</th><th>Gender</th><th>Business Administration</th><th>Leadership and Decision-making</th><th>Industrial Know-how</th><th>Finance and Accounting</th><th>Marketing and Management</th></tr>
<tr><td>Wang Hsun-Sheng</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Wang Hsun-Hui</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Sun Ying-Nan</td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td>V</td></tr>
<tr><td>Yang Chih-Ping</td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td></tr>
<tr><td>Tsai Cheng-Hsien</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Wang Kuo-Chiang</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td></td></tr>
<tr><td>Chang Chih-Hsien</td><td>Female</td><td>V</td><td></td><td></td><td>V</td><td>V</td></tr>
</table></td><td>None</td></tr>
</table>

Assessed items	Current Operation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(2) Is the Company willing to establish any other various functional committees,except for the Remuneration Committee and Auditing Committee, which are required by law?		V	(II) CCSB has set up a Compensation Committee and Audit Committee in accordance with the relevant laws. Other governance tasks are implemented by relevant departments and regulated by various work standards and procedures. In the future, the Company will evaluate the operations and set up appropriate committees when the need arises.	
(3) Has the Company established any regulations on evaluating the effectiveness of Board of Directors and the methodof evaluation, and hold such evaluation accordingly and annually?		V	(III) CCSB has not set up procedures and methods for assessing the performance of the board of directors. In the future, the Company will evaluate the operations and set up appropriate committees when the need arise.	
(4) Does the Company assess the independence of Certified Public Accountants on a regular basis?	V		(IV) CCSB reviews the independence of the CPA regularly every year, which includes verification of whether the CPA is a director or shareholder or a salaried employee of the Company to assure that he/she is not a stakeholder. In addition, the Company also requests the CPA to abstain from matters that are in direct conflict of interest with the CPA personally or a party related to the CPA. Rotation of CPA is also implemented in accordance with relevant regulations. The Company has also set up an assessment of CPA's independence (Note 2) according to The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 Integrity, Objectivity and Independence, which has also been reviewed by the Audit Committee and the board of directors. The independence of CPA has been assessed at the 2nd meeting of the 1st Audit Committee and the 4th meeting of the 20th Board of Directors,which concluded that the CPA meets the criteria of independence.	Item 2 and 3 will be evaluated and set up when necessary. Otherwise, no major deviations are found.

Assessed items	Current Operation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
IV. Has the publicly-listed company set up a dedicated unit or appointed a designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholder meetings)?	V		CCSB appointed the Finance Department as the responsible unit for corporate governance. The unit handles all corporate governance related tasks and is charged with the following duties: 1. To improve the transparency of the Company's information disclosure and legal compliance. An agenda is set before a board meeting and directors are notified and provided with sufficient information at least 7 days prior to a board meeting, so that the directors have full knowledge of the issues and proposals to be discussed in the meeting. When the content of the proposals is in conflict of interest with one of the directors and he/she is expected to abstain from relevant discussion, the unit sends out a reminder to the involved director. The unit is also responsible for compiling and distributing the required meeting minutes after the meeting. 2. To organize the required annual shareholder meeting. The unit prepares and files the shareholder meeting notification, meeting handbook, annual report and meeting minutes before the deadlines. The unit is also responsible for processing registration of changes after revision of company charter or election of the board of directors and supervisory board.	None
V. Has your company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of your company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	V		Internally, CCSB organizes employer-employee meetings on a regular basis and set up employee suggestion box and company website to provide employees multiple channels of communication. A designated staff member is appointed to handle employee communication. Externally, CCSB set up a spokesperson system and a website for stakeholder communication. A stakeholder section has been set up on the Company's website for disclosure of information relating to stakeholder issues and corresponding contact information.	None
VI. Has the Company commissioned a professional shareholder service agency to organize Shareholder Meeting and handle other relevant affairs?	V		CCSB has commissioned a professional shareholder service agency, Fubon Securities Shareholder Service, to handle the Company's stock affairs.	None
VII. Information disclosure (1) Does the Company build a website to disclose information onfinancial statements and corporate governance?	V		(I) CCSB has set up a website (http://www.ccsb.com.tw) for information disclosure to shareholders and the public. Information regarding the Company's financial and business operations are regularly updated, including major events, stock affairs, statistics (such as revenue), financial statements and corporate governance.	None

Assessed items	Current Operation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(2) Has the Company utilized other methods of information disclosure (such as setting up a website in English, assigning someone to be responsible for the collection and disclosure of company information, implementing spokesperson system, and/or recorded the investors' conference on the company website)?	V		(II). CCSB discloses real-time information on financial and business operations and major events. A dedicated staff member is appointed to handle collection and disclosure of the Company's information, and a spokesperson system has been set up for external communication.	None
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of Directors and Supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?	V		1. Employee Rights: CCSB protects employees' rights in accordance with the Labor Standards Act, Occupational Safety and Health Act and relevant regulations and developed good relationships with our employees on the basis of mutual trust. The Company holds regular meetings with our employees to facilitate bilateral communication. A harmonious relationship has flourished in our workplace. 2.Employee Care: CCSB values the contributions of our diversified employees. To fully care for our employees' needs and enrich our employees' body, mind and soul, we implemented a series of training courses for technical, professional and management skills and launched a range of employee welfare policies. Our employee care policies include setting up an Employee Welfare Committee, actively promoting various employee welfare programs, organizing regular Family Sports Day events at the Company's subsidiaries for our employees and their families, employee trips and annual year-end dinner and provide employees group insurance coverage to safeguard their welfare. 3.Investor Relations: To safeguard shareholders' rights and provide the public sufficient information on the Company's operations, CCSB takes a further step beyond information disclosure on the MOPS required by the competent authority to set up a dedicated "Investor Relations" zone on our website. We provide updated information on our financial and stock operations for open browsing in this dedicated zone, and communicate with our investors through the shareholder meeting, investor conference and spokesperson. 4. Supplier Relations: CCSB has established positive long-term relationships with our suppliers. 5. Stakeholder Rights: CCSB has also set up a dedicated CSR zone on our website to address the issues related to stakeholders' concerns. The Company has also set up a	None

Assessed items	Current Operation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			dedicated window for investor relations, appointed a spokesperson and a proxy and designated a shareholder service unit to handle inquiries and suggestions from shareholders and stakeholders. In the event where legal issues or disputes are involved, a lawyer will be engaged to handle the matters. 6. Continuing Education for the Directors: The Company provides our directors and executives information with the latest legislation and professional education courses organized by relevant authorities and organizations. All directors of CCSB have completed the courses recommended by the Guidelines for Promotion of Continuing Education for Directors and Supervisors of Publicly-listed Companies in 2016 and relevant information has been disclosed on the MOPS. 7. Implementation of Risk Management Policies and Assessment Standards: CCSB's risk management policy is prevention centered. In addition to our stringent internal control system formulated in accordance with relevant laws and regulations, we carry out regular and unscheduled internal audit activities and duly report the results. In financial operations, we adopt a reasonable hedging policy for currencies and investments, as well as constantly review our financial structure, to minimize financial risks. 8. Implementation of Customer Policies: The Company designates a department to provide after-sale services and handle customer complaints. We are committed to our services and guarantees pledged to our customers. 9 .Liability Insurance for the Company's Directors: CCSB has purchased liability insurance for all directors. The insurance started from August 2016, providing our shareholders extra protection for their equity.	

Assessed items	Current Operation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	

IX. Please provide information on the status of improvement regarding the results pf corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements not yet implemented, state the areas and policies your company set as priority for improvement. (Leave blank if your company was not evaluated.)

Improvements of Corporate Governance Practices

Benchmarks	Improvement
Has your company set up an Audit Committee that meets the requirements? Is this Audit Committee formed by all independent directors with no less than 3 members; among them, at least 1 member should be an accounting or financial professional?	CCSB set up an Audit Committee on May 31, 2016 to replace the supervisory board system. The Committee is formed by 3 members; among them, 2 members are financial and accounting professionals.
Does the board of directors of your company evaluate the independence of the CPA on a regular basis (at least once a year) and discloses the process of evaluation in your company's annual report?	CCSB evaluates the independence of the CPA regularly every year in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies". The board of directors meetings on December 29, 2015 (18th meeting of the 19th board) and November 8, 2016 (4th meeting of the 20th board) approved the CPA independence evaluations, which are then disclosed in the annual report of the respective year.
Has your company set up a dedicated unit or appoint an existing unit for management of corporate integrity and has this unit reported the status of implementation to the board on a regular basis?	CCSB is committed to building a business with integrity. To achieve the goals, the President's office appointed the Human Resources and Finance Departments to set up the Company's "Standard Operating Procedure for Ethical Management and Guidelines for Conduct" and designated the President's Office and HR Department to implement the system. Starting from 2016, the implementation team began to report the progress and status of implementation to the board of directors on regular intervals.
Has your company set up a whistle-blower mechanism for reporting of illegal (including bribery) and unethical conducts carried out by your company's personnel inside and outside of the company and has your company disclosed relevant information?	CCSB set up the "Guidelines for Reporting Illegal, Unethical and Dishonest Conducts" on April 12, 2016 and disclosed detailed information on the ways to report illegal (including bribery) and unethical conducts carried out by the Company's personnel inside and outside of the company. Relevant information is also published on the Company's website.
Is your company's board of directors formed with at least one female director?	CCSB's directors of the board were elected in 2016 and the new board has one female director.
Has your company insured all directors of the board and members of the supervisory board with adequate liability insurance?	To protect the rights of our shareholders, CCSB has insured all directors of the board with liability insurance starting from August 2016.
Has your company disclosed corporate governance information on your company's website, including at least the company charter and corporate governance structure?	CCSB has disclosed corporate governance information, including company charter and corporate governance structure, in the "Investor Relations" section of the Company's website.
Has your company set up reduction of carbon and greenhouse gas emission, water saving and other waste management policies?	CCSB has disclosed quantitative management goals for energy saving and carbon emission reduction related practices in the "Investor Relations" section of the Company's website.

Corporate governance evaluation results priority items and polices to be improved

Benchmarks	Item or Policy
Does your company upload the English version of your company's annual report 7 days prior to your company's shareholder meeting?	CCSB plans to begin production of the English version of the 2016 annual report in 2017 and expects to upload the full report to the MOPS 7 days prior to the 2017 shareholder meeting.
Does your company upload the English version of the notification for shareholder meeting 30 days prior to the date of the meeting?	CCSB plans to begin the translation process of the notification in 2017 and expects to upload the notification to the MOPS 30 days prior to the 2017 shareholder meeting.
Does your company upload the English version of the meeting agenda and supplementary information 21 days prior to the shareholder meeting?	CCSB plans to begin the translation process of the meeting agenda and supplementary information in 2017 and expects to upload the information to the MOPS 21 days prior to the 2017 shareholder meeting.

Note 1: Please provide information in the "Remark" column, regardless whether "yes" or "no" is selected.

Note 2: The table below shows the standards for evaluation of CPA independence.

Assessed items	Yes	No	Remark(s)
The CPA is not a director of the board, a member of the supervisory board, an independent director or an executive of the Company or an affiliated business of the Company. True or false?	V		
The CPA is not a shareholder of the Company or an affiliated business of the Company. True or false?	V		
The CPA is not a salaried employee of the Company or an affiliated business of the Company. True or false?	V		
The CPA has not provided audit service for the Company in seven consecutive years. True or false?	V		
The CPA has confirmed that his/her associated accounting firm is compliant with the standards of independence. True or false?	V		
None of the accountants associated with the accounting firm of the CPA have been appointed to any positions in the Company that have major influence to the audit practice, including directors of the board, members of the supervisory board and executives, within one year after they left the firm. True or false?	V		

4. Has the company set up a Compensation Committee? If yes, disclose the composition, responsibility and operation of the Compensation Committee

(1) Information of the Members of the Compensation Committee

Position (Note 1)	Condition / Name	Does the Director have five or more years of work experience and the following professional qualifications?			Compliance to independence (Note 2)								Number of other public companies where he/she is a member of the compensation committee	Remark(s)
		Currently serving as a lecturer or a higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant or other professional or technical staff who have been certified by national examinations and licensed by the competent authorities.	Work experience necessary for business administer, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8		
Independent Director	Wang Kuo-Chiang	–	V	V	V	V	V	V	V	V	V	V	2	
Independent Director	Tsai Cheng-Hsien	–	–	V	V	V	V	V	V	V	V	V	1	
Independent Director	Chang Chih-Hsien	–	–	V	V	V	V	V	V	V	V	V	None	

Note 1: For Status, please identify whether the person is a Director, Independent Director, or other.

Note 2: Please tick the boxes below each criterion if a member meets these conditions within two years prior to being elected and during his/her term of service.

（1）Not an employee of the Company or any of its affiliates.

（2）Not a Director or Supervisor at the Company or its affiliated companies. Independent directors appointed by the Company, its parent company or its subsidiaries in accordance with this Act or the local regulations are not limited by this clause.

（3）Is not a shareholder that hold more than 1% of the Company's total shares or rank among top-ten shareholders, this applies for the Director him/herself, spouse, minor children, or shares held under others' names.

（4）Is not a spouse, second-degree relative, or direct, blood-related five-degree relative of the personnel listed in the first three criteria.

（5）Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

（6）Is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.

（7）Is not a professional, business owner, partner, director, supervisor, manager, or their spouse at a sole proprietor, partnership, company, or institution that offers business, finance, or accounting services or consultancy for the Company or its affiliated companies.

（8）Not been a person of any conditions defined in Article 30 of the Company Law.

(2) Operations of the Compensation Committee:

A. This Company has a Compensation Committee composed of 3 members.

B. Duration of the current term: May 31, 2016 to May 30, 2019. In the most recent year, the Compensation Committee held 4 meetings (A). The table below shows the qualifications of the committee members and their attendance.

Title	Name	Number of actual attendance (B)	Attendance by proxy	Rate of actual attendance (%) (B/A) (Note)	Remark(s)
Convener	Wang Kuo-Chiang	4	0	100%	Reelected as a member of the committee at the board of directors election held on May 31, 2016.
Committee Member	Tsai Cheng-Hsien	4	0	100%	Reelected as a member of the committee at the board of directors election held on May 31, 2016.
Committee Member	Pei Min-Li	2	0	100%	Left the committee on May 27, 2016 (required to attend 2 meetings).
Committee Member	Chang Chih-Hsien	2	0	100%	Newly appointed as a member of the committee after the board of directors election held on May 31, 2016 (required to attend 2 meetings).
Other required disclosure: 1. If the Board of Directors choose not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, results of meeting resolutions, and the company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval shall be described in detail): None. 2. Where resolutions of the Salary and Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.					

Note:

(1) Note: When a member of the Compensation Committee resigns before the end of the year, the remark column shall be annotated with the date of resignation. Actual attendance rate (%) shall

be calculated based on the number of meetings held by the Compensation Committee and the number of actual attendance during the term of service.

(2) When an election is held for the Compensation Committee before end of the year, members of both the new and old committee shall be listed in separate columns and noted as new, old or reelected members, along with the elected date, in the “Remark” column. The actual attendance rate (%) shall be calculated based on the number of meetings held during the member’s term in the compensation committee and the number of actual attendance of this member.

5. The company's CSR practices, such as environmental protection, social engagement, social contribution, community service, community welfare, consumer rights, human rights, safety and health, the system and methods used to plan and organize CSR activities and the status of implementation:

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
1. Implementation of Corporate Governance Practices				
(1) Has the Company established a corporate social responsibility (CSR) policy or system, and assessed the effectiveness of implementations?	V		(1) CCSB operates under the model of "honesty, altruism, mutualbenefit and companionship". Corporate social responsibility has become an immersive part of our company's corporate culture. To fulfill our social responsibilities, CCSB set up the "Principles for Corporate Social Responsibility Best Practice" in 2014 with reference to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and relevant regulations. This system is expected to help the Company substantively push forward corporate governance practices, develop sustainable environment, promote social welfare and reinforce corporate social responsibility disclosure. While we pursue sustainable development and maximum profitability, we take actions to fulfill our corporate social responsibility, moving towards the goal of balanced development of environmental, social and corporate governance. As a corporate citizen, we are committed to bringing substantial contribution to our Nation's economy and improving the quality of life for our employees, the communities and the society. Our board of directors has authorized each unit in our company to organize various activities and require the leaders of the various teams to report the status of implementation at the board meetings. At CCSB, we are committed to our corporate social responsibility.	None
(2)Does the Company routinely promote and hold CSR training?	V		(2)CCSB has set up procedures and guidelines for corporate social responsibility practices. These systems regulate employee conduct and provide clear guidelines for best practices. Our governance team also sends out reminders to our employees from time to time and organizes regular education and training programs. We make all efforts to raise our employees' awareness and request our employees to meet full compliance with a responsible attitude.	
(3) Has the Company established a designated unit to promote CSR, and has the Board authorized senior management to deal with and then to report to the Board pertaining to relevant executions?	V		(3) CCSB set up the CSR Committee in 2014 and organized several functional teams within this committee for corporate governance, customer care, employee care, environment sustainability, social care and implementation, which are led by the heads of relevant departments. The board of directors authorizes leaders of the relevant units to push forward CSR activities and request them to report the activities and effectiveness at board meetings.	
(4) Has the Company established a fair compensation policy and linked employee performance evaluation with CSR policy, as well as established a precise and effective incentive and disincentive system?	V		(4)CCSB's employees enjoy higher salaries and wages than the base levels set by the Ministry of Labor. Our competitive salary and benefit system has attracted quality talents to join our company. Salaries and benefits of our employees are calculated based on the experience, position and performance of each individual, as well as the market trend, and promotion, pay adjustment and reward/punishment are determined by the performance evaluation system.	

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
2. Developing sustainable environment (1) Does the Company strive to enhance the utility rate of every resource and use renewable materials that pose less impact on the environment?	V		(1)CCSB has set a goal for energy and resource saving. Our actions include setting up a dedicated waste recycle area and improving energy and resource efficiency through raising the temperature of the air-conditioning system, printing double-sided to save paper, unplugging appliances and equipment not in constant use, recycling cartridges of photocopiers and printers and using environmentally-friendly cartridges. Our resource management system is expected to help us achieve the goal of waste reduction and recycle.	None
(2) Has the Company established a suitable environmental management system by referencing its industry's characteristics?	V		(2)To effectively cut down the cost of energy use, CCSB set up the Energy Management System Promotion Committee in 2016 to implement energy saving and carbon emission reduction related tasks in the plant. The Company has also introduced the energy management ISO 50001 system into the Shanjia Plant in May 2016, with the aimof enhancing the performance of the energy saving and carbon emission reduction system. The Shanjia Plant has successfully passed the third-party validation process and became officially certified by BSI in November. The management system and Energy Saving Committee were set up to achieve the goals of energy saving and carbon emission reduction, as well as continuous improvement. The Company has also implemented waste disposal and recycle mechanisms in accordance with the Business Waste Disposal Plan and carried out relevant practices in strict compliance with the environmental regulations put forward by the competent authority.	
(3) Has the Company paid attention to the impacts of weather changes on its operational activities, in addition, has it carried out inspections on greenhouse gases, and implemented strategies to conserve energy and to lower CO2 emissions and greenhouse gases?	V		(3) 1. Climate change is a brewer of natural disasters that are likely to deter all business activities and a potential trigger for escalating commodity prices and interruption of material supply. In view of which, CCSB set up the Energy Management System Promotion Committee to push forward energy saving and carbon emission reduction related tasks. We pay close attention to energy saving and carbon emission reduction issues and actively implement greenhouse gas inventory activities in an effort to achieve the energy saving and carbon emission reduction goals. 2. CCSB set up energy goals based on the ISO 50001:2011 standards and requirements put forward by the Bureau of Energy. Under these standards, we continuously push forward management practices based on the energy management system and actively promote a series of energy-saving programs. We use the total of power consumption recorded in 2016 as the baseline to set the goal of 1% annual reduction in the successive year. CCSB's energy saving plan include: (1) waste processing area: installing inverters for 3 roots blowers, (2) public area: installing an inverter for 1 ice machine and, (3) laboratories and RA & QA department: replace all lights with LED tubes.	

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
3. Asserting Social Welfare				
Has the Company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?	V		(1) CCSB set up “Work Rules” based on the Labor Standards Act. Employee salaries, leaves, insurance and other related information are clearly laid out in this document.	
(2) Has the Company established employee grievance mechanism and channels, and handled these grievances appropriately?	V		(2) CCSB makes all efforts to ensure that the channels of communication inside the Company are open and accessible. We achieve sufficient communication through regular meetings and encourage our employees to express their opinions and suggestions to their direct supervisors and the head of each department. A “President’s Mailbox” has also been set up at the employee dining area. All employees of the company are free to report any issues and problems of the Company’s operations or offer suggestions for improvement through this mailbox signed or anonymously, which are processed by the President personally. All employees are informed of this channel of communication and new employees are introduced to this facility through the literature provided on their first day in the Company. Our multiple communication channels enable our employees to speak their mind freely. Our employees may also report issues through the email facility provided in the “Investor Relations” section of the Company’s website. Once a complaint is received, the Company acts immediately to investigate and handle the matters and ensures that the Company and our employees’ interests are protected.	None
(3) Has the Company offered a safe and healthy work environment for its employees, and routinely implemented safety and health education for the employees?	V		(3) CCSB is committed to providing our employees a safe and healthy workplace. To achieve this, our offices are completed with centralized air-conditioning systems, sufficient lighting, regularly maintained elevators and fire-rescue facilities. 2. Our regular safety education and training programs and seminars include fire safety, public safety facilities and review of public safety. 3. Regular employee trips and other activities encourage balanced development of the body and mind. 4. Regular health checkup is provided to every employee once a year.	
(4) Has the Company installed a communications system for routine communication with employees, and alerts operational changes that may pose significant impacts on its employees in a fair manner?	V		(4) CCSB offers official channels to facilitate communication among the different levels and units in the Company. In addition to the annual employer-employee meeting where all employees are free to express their opinions, the Company launches hearings to communicate with our employees when major decisions are to be made.	

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
(5) Has the Company established an effective career developmental plan for its employees?	V		(5) CCSB enhances the quality and competitiveness of our manpower through education and training programs, as well as the performance evaluation mechanism. Our education and training programs aim to help our employees develop professional skills, knowledge and attitude, and our performance evaluation system helps our employees to develop their potentials. We grow employees side-by-side with our company's performance, since only high-quality employees can achieve high performance.	None
(6) Has the Company established consumer rights protection policy and grievance-filing procedures in terms of R&D, Procurement, Production, Operations, and Customer Support?	V		(6) CCSB is an API manufacturer and the major customer base is formed by domestic and foreign pharmaceutical companies. For customer service, the Company has set up relevant guidelines and procedures for handling of customer complaints. Our customer care system offers our customers an effective channel of communication to safeguard their rights and interests.	
(7) Does the Company comply with related laws, regulations, and international standards pertaining to marketing activities and labels on its products and services?	V		(7) CCSB is an API manufacturer with good reputation. We are certified as cGMP API Plant, cGMP Biotech Plant and cGMP Pilot Plant and passed the FDA plant audit. Our cGMP facility has been approved by several pharmaceutical companies and our products are deemed to have met international standards.	
(8) Prior to conducting business with suppliers, has the Company evaluated the suppliers in terms of past records of impacts on the environment and the society?	V		(8) For procurement, CCSB carries out full-scale evaluation at our suppliers' plants. Only qualified suppliers are entered into the list of suppliers. When procuring materials, all suppliers are required to provide the latest Material Safety Data Sheet and clearly label the materials with the required information. In addition, to coordinate with the government's controlled substance (including toxic chemical substances) management policy set to prevent misuse, CCSB works closely with our suppliers to ensure that both parties have the permits for selling and purchasing the controlled substances before the transaction.	
(9) Does the Company's contract with its primary supplier contain any immediate termination clause for when the supplier violates corporate social responsibility and poses significant impacts to the environment and the society?	V		(9) CCSB has not incorporated relevant clauses into the supplier contracts for breach of their corporate social responsibility policies, such as clauses that warrant termination of contract when suppliers' practices are found to have notable impact on the environment and the society. However, the Company enforces strict rules to purchase from only qualified suppliers. In the future, we will continue to work with our suppliers to upgrade our corporate social responsibility practices, with the aim to minimize the negative impacts on the environment brought by the supply chain.	
4. Strengthening information disclosure (1) On the Company's website and MOPS, has the Company disclosed information pertaining to corporate social responsibility, which is related to the Company's relevance and reliability?	V		(1) CCSB publishes the corporate social responsibility report to disclose our CSR practices. Relevant information is also available through our website and the MOPS and disclosed in the prospectus and annual report.	None

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
5. If your company has set up a set of principles for corporate social responsibility practices based on the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please provide detailed information on the differences between your company’s principles and the principles provided in the above document: CCSB has set up the Company’s “Principles for Corporate Social Responsibility Best Practices” with reference to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” to facilitate implementation of corporate governance, development of environment sustainability and social care and reinforcement of corporate social responsibility disclosure.				
6. Other important information helpful in understanding CSR operation: 1. Environmental protection: (1) CCSB makes payments of the required air-pollution fees and files relevant information online before the set deadline, contracts qualified waste processing service supplier to handle the wastes and makes full payments of the associated waste disposal fees. In 2016, CCSB’s expenses on air-pollution prevention and waste processing amounted to NT$ 39,496 thousand. (2) CCSB files information of air-pollution and wastewater testing report every year and implements environmental protection measures as required. CCSB is committed to its duties as a corporate citizen. 2. Social Services: CCSB sponsors the local Changshou Family Park on a long-term basis. In 2016, the Company donated a total of NT$ 642 thousand for variousactivities. 3. Social Welfare: While pursuing excellence in its business operations, CCSB has also worked with local communities for various local and charitable events. In 2016, CCSB donated a total of NT$ 800 thousand to the Tainan Earthquake Relief Fund. 4. Human Rights and Employee Care: (1) CCSB makes the best efforts to maintain an optimal workplace in accordance with the Labor Standards Act, Act of Gender Equality in Employment, Sexual Harassment Prevention Act and other relevant laws. (2) To help our employees develop their professional skills, enhance work efficiency and raise awareness on product quality, CCSB implements an annual education and training program and organizes special training courses from time to time for internal management and professional enhancement. We also dispatch our employees to participate in external training programs to reinforce their professional competence. 5. Employee Safety and Health: To provide our employees a safe and healthy workplace, CCSB appoints the E&S Division to implement various programs. Our regular safety education, training and drills cover the scope of fire safety, public safety facility and review of public safety. The Employee Safety and Health Committee reviews the Company’s practices on a regular basis and requests our employees to follow our work rules for safety and health with highest awareness on accident prevention.				
7. Provide detailed information if the company's CSR Report has been certified by an accreditation agency: CCSB's Corporate Social Responsibility Report was compiled with reference to GRI 4.0 and has been disclosed on the Company's website and the MOPS.				

Note 1: Please briefly describe the operations in the appropriate column, regardless whether "yes" or "no" is selected.

Note 2: Companies who have compiled CSR reports may specify the ways to access the CSR and the page numbers of the cited content in place of the above-requested description.

6. Your company's corporate integrity practices and actions taken:

Assessed items	Operations (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
1. Formulating policies and plans for integrity operation (1) Does the company specify the policies and methods of operation based on integrity in its regulations and on external document, and do the Board of Directors and the executives advocate and implement these policies?	V		(1) CCSB has set up the “Standard Operating Procedure for Ethical Management and Guidelines for Conduct”, which clearly demands the Company’s board of directors and executives to actively implement the policies of ethical business practices in internal management and external business activities. The Company’s ethical business practice policies are disclosed in the Company’s website and the annual report to provide our suppliers, customers and other organizations/parties a clear view of our commitment to business integrity. The guidelines also clearly lay out the principles of business conduct for our employees. CCSB and all its subsidiaries enter all contracts under the principle of mutualbenefit, negotiate contracts with the mindset of reasonableness and take actions to fulfill our promises given in the contracts with a positive attitude.	None
(2) Has the company formulated any alternative which prevents non-integrity behaviors from taking place, and specified operation procedures, behavioral guidance, penalties and appeal channels in the event of transgressions, and implemented these procedures?	V		(2) CCSB set up the “Standard Operating Procedure for Handling Material Inside Information”, “Employee Code of Conduct”, “CCSB Code of Ethics” and “Standard Operating Procedure for Ethical Management and Guidelines for Conduct”, which lay out clear regulations and principles for the directors and employees of the Company. CCSB has also implemented relevant education, training and promotion to raise employees’ awareness on the importance of ethical conduct. Clear regulation, procedures, rules and disciplinary terms are also laid out in the above documents.	
(3) Does the company take precautions toward the operational activities of higher non-integrity risky behaviors within other operational scopes, or incidents pursuant to all sub-paragraphs of Paragraph 2, Article 7 of "Ethical Corporate Management Best PracticePrinciples for TWSE/GTSM Listed Companies"?	V		(3) CCSB has set up the “Standard Operating Procedure for Handling Material Inside Information”, “Employee Code of Conduct” and Standard Operating Procedure for Ethical Management and Guidelines for Conduct and implemented an audit mechanism through the internal audit unit to prevent unethical business activities from occurring, including taking and giving bribes and making illegal political contributions.	

Assessed items	Operations (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
2. Implementation of ethical business operations (1) Has the Company assessed the integrity records of its business partners, and specified ethical business policy in contracts with its trading partners? (2) Has the Company established a unit directly under the supervision of the Board, which is devoted (or partly devoted) to promoting corporate ethical business, and routinely reports its implementations to the Board?	V V		(1) CCSB set up an evaluation mechanism to safeguard our customers' interests. This mechanism evaluates whether business activities are carried out in a fair and transparent manner and abide by the terms laid out in the contract, ensuring that our customers and suppliers receive fair treatment and results. (2) To ensure effective management of business integrity practices, the President's Office appointed the HR and Finance Departments to set up the "Standard Operating Procedure for Ethical Management and Guidelines for Conduct". The President's Office and HR Department are responsible for implementation and reports to the board of directors annually. Information regarding implementation of business integrity practices in 2016 has been forwarded for review at the 5th meeting of the 20th board. For effective implementation, CCSB has also integrated the "Employee Code of Conduct" and "Standard Operating Procedure for Ethical Management and Guidelines for Conduct" into the new employee training courses and advocated our corporate culture of business integrity to the new employees. Up to December 31, 2016, a total of 51 persons received the training in 31 sessions. In addition, the "Standard Operating Procedure for Ethical Management and Guidelines for Conduct" has also been revised; the revisions were approved at the April 12, 2016 board meeting and the information has also been publicly disclosed to our employees. Relevant information is now available for free browsing through the Company's internal network platform and the Company's website.	None

Assessed items	Operations (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
(3) Has the Company set up policies to prevent conflict of interest, and provide an appropriate reporting channel in practice?	V		(3)CCSB's Procedure for Board of Directors Meetings clearly lay out the rules for various categories of proposals. When a director is deemed to have conflict of interest, he/she shall abstain from all discussion, leave the room and withdraw from voting. The CCSB Employee Code of Conduct also contains a clause providing guidelines for handling situations involving conflict of interest. Employees of CCSB are provided with accessible facilities, including the suggestion box and website, for full expression of their opinions. The Company has also set up a spokesperson system for external communication.	None
(4) To implement ethical business policy, has the Company established an effective accounting system and internal control system, and routinely asks the internal auditing unit to verify or entrusts accountant to review the systems?	V		(4)To ensure full implementation of business integrity practices, CCSB set up an effective accounting and internal control system. Internal audit personnel conduct regular audits on the status and progress of implementation.	
(5) Does the Company host routine internal and external ethical business operations training?	V		(5) CCSB has set up the "Employee Code of Conduct" and "Standard Operating Procedure for Ethical Management and Guidelines for Conduct". These guidelines and procedures are integrated into new employee training courses and published on the Company's internal document management system for free browsing. Externally, the Company provides information on the relevant guidelines and procedures to our suppliers before signing of contracts.	
3. Operation of whistle-blowing mechanism in the company				
(1) Has the Company established a material reporting and rewarding system, set up a convenient reporting channel, and designated appropriate personnel to handle the investigations, depending on the identity of the person being reported?	V		(1) CCSB provides the channels for reporting and complaints in the "Procedure for Reporting of Illegal and Unethical or Dishonest Conducts". A dedicated unit is appointed to handle relevant matters. All conduct violating the principles of ethical business practices are handled in accordance with the respective guidelines and procedures.	None
(2) Has the Company set up SOP for accepting and investigating reporting cases and relevant confidentiality structure?	V		(2) CCSB has set up the "Procedure for Reporting of Illegal and Unethical or Dishonest Conducts", which provides a system for reporting internally as well as externally. The identity of and content provided by the reporting person are kept in strict confidentiality.	
(3) Has the Company set up protection for the whistleblower to prevent the person from being subjected to inappropriate measures from reporting the incident?	V		(3) CCSB has set up the "Procedure for Reporting of Illegal and Unethical or Dishonest Conducts", which provides a system for reporting internally as well as externally. The Company pledges its best effort to protect the reporting person from improper treatment.	

Assessed items	Operations (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
4. Strengthening information disclosure (1) Has the Company disclosed the contents and effectiveness of implementing its ethical corporate policy on its website and MOPS?	V		CCSB has disclosed the Company's “Standard Operating Procedure for Ethical Management and Guidelines for Conduct” and relevant information on the Company's website and the MOPS.	None
5. Where the company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps betweben the prescribed best practices and actual activities taken by the company CCSB set up the Company’s “Standard Operating Procedure for Ethical Management and Guidelines for Conduct” based on the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” and implemented relevant operations in accordance with these principles and the relevant guidelines.				
6. Other information helpful to understand the integrity operation of the company: (e.g., the company's amendment of its principles of integrity operation) CCSB operates on the model of honesty, transparency and responsibility. We strive to meet full legal compliance, deal with customers and suppliers with the highest level of honesty and take the responsibility to build a business of integrity for our shareholders. We make all efforts to prevent our directors, executives and employees from breaching the good faith of ethical practice, blocking all possible damages to the reputation of our business or legal liabilities from the source.				

Note 1: Provide a brief description in the appropriate column, regardless whether "yes" or "no" is selected.

7. Has your company set up guidelines for corporate governance practices and relevant procedures:

   Relevant guidelines and procedures are disclosed at the "Investor Relations" section of the Company's website (http://www.ccsb.com.tw).

8. Other important information to facilitate better understanding of your company's corporate governance activities:

   (1) Executives' participation in the Company's corporate governance education and training courses:

Title	Name	Date of course	Organizer	Course Name	Duration of course (days)
General Manager	Yang Chih-Ping	July 26, 2016	Securities and Futures Institute	Seminar for Legal Compliance of Publicly-listed Company Insider Equity Trading	3
		October 20, 2016	Financial Supervisory Commission	The 11th Taipei Corporate Governance Forum	3
		November 8, 2016	Taiwan Corporate Governance Association	The Development of Anti-Tax Avoidance and Responses of the Businesses in Taiwan and Globally	3
		December 29, 2016	Taiwan Corporate Governance Association	Big Data Analysis and Surveillance of Corporate Foul Play (case study)	3
VP, Administration Division	Huang Chong-Hsin	November 8, 2016	Taiwan Corporate Governance Association	The Development of Anti-Tax Avoidance and Responses of the Businesses in Taiwan and Globally	3
		December 29, 2016	Taiwan Corporate Governance Association	Big Data Analysis and Surveillance of Corporate Foul Play (case study)	3
VP, Business Division	Chen Chuan-Wen	November 8, 2016 105.11.08	Taiwan Corporate Governance Association	The Development of Anti-Tax Avoidance and Responses of the Businesses in Taiwan and Globally	3
		December 29, 2016	Taiwan Corporate Governance Association	Big Data Analysis and Surveillance of Corporate Foul Play (case study)	3

Title	Name	Date of course	Organizer	Course Name	Duration of course (days)
Manager, Finance Department	Li Chih-Hong	March 17, 2016	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
		March 31, 2016			
		November 8, 2016	Taiwan Corporate Governance Association	The Development of Anti-Tax Avoidance and Responses of the Businesses in Taiwan and Globally	3
		December 29, 2016	Taiwan Corporate Governance Association	Manager of the Auditor's Office	3
Manager, Auditor's Office	Hong Chao-Sheng	September 1, 2016	Accounting Research and Development Foundation	Corporate Legal Practices - Management of Audit Operations with Case Study	6
		September 23, 2016	Accounting Research and Development Foundation	Audit Mechanism for Prevention Corporate Employee Foul Play with Case Study	6
		November 8, 2016	Taiwan Corporate Governance Association	The Development of Anti-Tax Avoidance and Responses of the Businesses in Taiwan and Globally	3
		December 29, 2016	Taiwan Corporate Governance Association	Big Data Analysis and Surveillance of Corporate Foul Play (case study)	3

(2) Internal Material Information Management Procedures:

CCSB set up the “Standard Operating Procedure for Handling Material Inside Information” to provide a set of standards for our directors, executives and employees. This procedure clearly lays out the responsibilities of our directors, executives and employees as prudent administrators and for them to act in good faith when performing their duties. Directors, executive officers or employees with knowledge of material inside information of the Company may not divulge the information to others, nor should they inquire about or collect any non-public

material inside information of the Company not related to their individual operations or non-public material inside information gained from sources other than through performance of their duties. This Standard Operating Procedure has been published in the Company's internal document management system for free browsing, and email notifications are sent to alert our employees of material information.

9.Implementation of Internal Control System

(1) Statement of Internal Control

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Statement of Internal Control System

Date: March 7, 2017

CCSB makes the following statement based on the results of the self-assessment of the Company's internal control system implemented in 2016:

1. The Company acknowledges that the establishment, implementation and conservation of the internal control system (ICS) are the responsibilities of the Board of Directors and the managers of the Company. The Company has constructed such system. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. Moreover, the effectiveness of the internal control system may be altered by changes in the environment and under different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company assesses the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the "Protocols and Measures for the Establishment of Internal Control System in Publicly Listed Companies" (hereinafter referred to as "the Protocols"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring Activities. Each constituent element includes a number of categories. The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to "The Regulations" for the aforementioned categories.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the above assessment results, the Company determined that CCSB's internal control system (covering monitoring and management of its subsidiaries) has been effectively designed and implemented and sufficient to ensure that the objectives below are achieved, including understanding the degree of achievement of operational effectiveness and efficiency objectives, reliable, timely and transparent reporting and compliance with applicable rules, laws, regulations and bylaws.
6. This Statement will become an integral part of the Annual Report and the Prospectus of the Company. Any false hold, concealment, or other illegality in the content made public

will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act. If the aforementioned content contains illegal matters such as any fraudulent or hidden information, the Company will be in question of breaching Articles 23, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.

7. This statement has been approved by the Company's Board of Directors at the March 7, 2017 meeting where 7 Board members were present, 0 vetoed against the proposal and all approved the content of this statement.

Chunghwa Chemical Synthesis and Biotech Co., Ltd.

Chairman: Wang Hsun-Sheng Signature

President: Yang Chih-Ping Signature

(2) Report of CPA audit on the internal control system: None

10. Provide information on disciplinary actions imposed by the competent authority on your company and/or employees of your company and disciplinary action imposed by your company on employees of your company for violation of internal control regulations, as well as major issues and improvement actions, in the most recent fiscal year up to the date of publication of this Annual Report: None

Disciplinary action imposed on	Disciplinary action	Major issue	Improvement
CCSB	A fine of NT$ 20,000	Violation of Article 32 of the Labor Standards Act	Reallocate and increase manpower

11. Significant resolutions made in/by the Shareholder Meeting and the Board of Directors in the most recent fiscal year up to the date of publication of this Annual Report:

(1)Major resolutions of the January 2016 Board of Director Meeting

Year	Date	Major Resolutions	Decision-making and Implementation
2016 Shareholder's meeting	May 31, 2016	1. Recognized the 2015 business report and final accounts.	Approved as proposed.
		2. Recognized the proposal for distribution of 2015 surplus.	Approved cash dividend to shareholders of NT$ 116,340,000 (NT$ 1.5 per share) and set July 30, 2016 as the ex-dividend date. The payment has been made on August 15, 2016.
		3. Discussed revision of partial content of the company charter.	Approved by the Ministry of Economic Affairs on June 20, 2016 for registration and announced the information on the Company's website.
		4. Discussed revision of partial content of the Procedure for Shareholders Meetings.	Operating under the revised Procedure for Shareholders Meetings.
		5. Discussed revision of partial content of the Procedure for Election of Directors and Supervisors.	Operating under the revised Procedure for Election of Directors and Supervisors.
		6. Discussed revision of partial content of the Standard Operating Procedure for Lending of Capital.	Operating under the revised Standard Operating Procedure for Lending of Capital.
		7. Discussed revision of partial content of the Standard Operating Procedure for Endorsements and Guarantees.	Operating under the revised Standard Operating Procedure for Endorsements and Guarantees.
		8. Discussed revision of partial content of the Standard Operating Procedure for Acquisition and Disposal of Assets.	Operating under the revised Standard Operating Procedure for Acquisition and Disposal of Assets.
		9. Discussed revision of partial content of the Standard Operating Procedure for Trading of Derivative Products.	Operating under the revised Standard Operating Procedure for Trading of Derivative Products.
		10. Election of the directors of the board (including independent directors).	Elected Directors of the Board: Wang Hsun-Sheng, Wang Hsun-Hui, representative of CCPC: Sun Ying-Nan and representative of Wang

		11. Discussed removal of the Business Strife Limitation Clause for newly appointed directors and their proxies.	Min-Ning Memorial Foundation: Yang Chih-Ping. Elected independent directors: Tsai Cheng-Hsien, Wang Kuo-Chiang and Chang Chih-Hsien. Approved as proposed.

(2) Major Resolutions of 2016 (up to the date of publication of this annual report)

Year	Date	Major Resolutions
2016 1st Board of Directors Meeting	Mar. 8, 2016	1. Approved the revisions of the Procedure for Employee Payroll and Salary. 2. Approved the retirement of VP R&D Division. 3. Approved the 2015 business report and final accounts. 4.Approved the proposal for 2015 compensations of the executives, directors and supervisors. 5. Approved the proposal for 2015 compensations of the employee, directors and supervisors. 6. Approved the proposal for distribution of 2015 surplus. 7. Approved the proposal for election of the directors of the board (including independent directors). 8.Approved the proposal for nomination for directors (including independent directors), including time, number of nominees and place of nomination. 9. Approved the nominees for directors (including independent directors). 10.Approved the proposal to remove the Business Strife Limitation Clause for newly appointed directors and their proxies. 11. Approved the proposal to revise partial content of the Standard Operating Procedure for Lending of Capital. 12. Approved the proposal to revise partial content of the Standard Operating Procedure for Endorsements and Guarantees. 13. Approved the proposal to revise partial content of the Standard Operating Procedure for Acquisition and Disposal of Assets. 14. Approved the proposal to revise partial content of the Standard Operating Procedure for Trading of Derivative Products 15.Approved the details of 2016 Shareholder Meeting, including date, location and the last share transfer date. 16. Approved replacement of the CPA due to restructuring of the accounting firm. 17. Approved the 2015 Internal Control System Statement.
2016 2nd Board of Directors Meeting	Apr. 12, 2016	1. Approved renewals of loan contracts. 2. Approved nominees for directors (including independent directors). 3. Approved the Procedure for Reporting of Illegal and Unethical or Dishonest Conducts. 4. Approved partial content of the Audit Committee Charter. 5. Approved partial content of the Standard Operating Procedure for Ethical Management and Guidelines for Conduct 6. Approved revision of partial content of the Corporate Governance Best Practice Principles 7. Approved revision of partial content of the Standard Operating Procedure for Handling Material Inside Information. 8. Approved revision of partial content of the Employee Code of Conduct.

Year	Date	Major Resolutions
2016 3rd Board of Directors Meeting	May 5, 2016	1. Approved the Procedure for Compensation of Directors and Members of Functional Committees. 2. Approved the Procedure for Employee Payroll and Salary. 3. Approved the 2016 pay adjustment for the President. 4. Approved reappointment of VP Business Division. 5. Approved appointment of new VP Business Division. 6.Approved revisions to the Internal Control System, Internal Audit Enforcement Rules and relevant procedures.
2016 4th Board of Directors Meeting	May 31, 2016	1. Approved the proposal for nomination of the Chairperson. 2.Approved appointment of the members of the Third Compensation Committee.
2016 5th Board of Director Meeting	Jun. 24, 2016	1. Approved the ex-dividend date and cash dividend payment date. 2. Approved 2015 executive compensations. 3. Approved 2015 compensations of directors and supervisors. 4. Approved renewals of loan contracts. 5. Approved adjustment to the organizational structure.
2016 6th Board of Directors Meeting	Aug. 9, 2016	1. Approved renewals of loan contracts.
2016 7th Board of Directors Meeting	Nov. 8, 2016	1. Approved CPA independence and competence evaluation. 2. Approved the 2017 Audit Plan. 3. Approved the internal control system and enforcement rules, including the Standard Operating Procedure for Applying to Suspend and Resume Trading and Management of Applications for Suspension and Resumption of Trading.
2016 8th Board of Directors Meeting	Dec. 29, 2016	1. Approved 2016 year-end bonuses for managers and higher rank officers. 2. Approved renewals of loan contracts. 3.Approved revisions of partial content of the Corporate Governance Best Practice Principles. 4.Approved revisions of partial content of the Corporate Social Responsibility Best Practice Principles.
2017 1st Board Meeting	Mar. 7, 2017	1. Approved 2016 executive compensations. 2. Approved 2016 compensations of directors. 3.Approved the implementation details for 2016 compensations of employees and directors. 4. Approved 2016 business report and final accounts. 5. Approved 2016 surplus distribution. 6. Approved 2017 business plan. 7. Passed the proposal to revise partial content of the Company's "Standard Operating Procedure for Acquisition and Disposal of Assets". 8. Approved the details of 2017 shareholder meeting, including date, location and last share transfer date. 9. Approve renewals of loan contracts. 10.Approved personnel reappointment, including head of finance and accounting and the proxy spokesperson. 11. Approved the 2016 Internal Control System Statement.

12. Has any of the directors or supervisors voiced different opinions towards the major resolutions in the most recent year up to date of publication of this annual report that are recorded or documented in the form of a statement: None.

13. In the most recent fiscal year and as of the date of publication of the Annual Report, a summary of the resignation and dismissal of the Company personnel:

April 30, 2017

Title	Name	Date of Assumption of Duty	Date of Resignation or Dismissal	Reasons for Resignation or Dismissal
VP R&D Division	Cheng Hong-Yuan	March 7, 2014	April 1, 2016	Retired
Head of Accounting, Head of Finance	Li Chih-Hong	October 1, 2013	April 27, 2017	Retired

(V) Information on CPA Expenses

Information of the CPA

Accounting firm	Name of accountants		Auditing period	Remarks
PwC Taiwan	Yu Shu-Fen	Chang Shu-Chiung	January 1, 2016 – December 31, 2016	—

CPA Fees by Bracket Unit: NT$ thousands

Category of Fees / Fee Bracket		Audit Fees	Non-Audit Fees	Total
1	Less than NT$ 2,000,000	—	—	—
2	NT$ 2,000,000 (inclusive) to NT$ 4,000,000	2,688	3,182	5,870
3	NT$ 4,000,000 (inclusive) to NT$ 6,000,000	—	—	—
4	NT$ 6,000,000 (inclusive) to NT$ 8,000,000	—	—	—
5	NT$ 8,000,000 (inclusive) to NT$ 10,000,000	—	—	—
6	NT$ 10,000,000 and more	—	—	—

1. Information of CPA Fees (where fees paid to the CPA, CPA's firm and its affiliated companies exceed 1/4)

Unit: NT$1,000

Name of accounting firm	CPA Name	Audit Fees	Non-Audit Fees					Time of Audit	Remarks
			System design	Business registration	Human resource	Others (Note 2)	Subtotal		
PwC Taiwan	Yu Shu-Fen Chang Shu-Chiung	2,688	0	0	0	0	0	Jan. 1 to Dec. 31, 2016	—
PwC Taiwan	—	0	0	0	0	352	352	—	Transfer Pricing Report
PwC Taiwan	—	0	0	0	2,338	0	2,338	—	—
PwC Taiwan	—	0	0	0	0	492	492	—	US Transfer Pricing Report

Note 1: If the company replaces the CPA or accounting firm during the fiscal year, please specify the respective periods of audit conducted by both CPAs or firms, the reason for replacing the CPA or accounting firm and the associated fees for both audit and non-audit operations.

Note 2: Please list fees for non-audit services separately and provide explanation in the "remark column" if fees for "others" exceed 25% of the total of the fees for non-audit services.

2. Companies that have switched accounting firms and whose annual audit shared expenses are less than that of the previous year prior to the switch: None.
3. For companies whose audit shared expenses have decreased by 15% or more, the ratio of the decrease in audit shared expense and the reason should be disclosed: None.

(VI) Information of Replacement of CPA (applicable to companies that have replaced their CPA within the most recent two years and the period after reporting):

1. Information on the previous CPA

<table>
<tr><td>Date of Replacement</td><td colspan="4">March 8, 2016 (Note 1)</td></tr>
<tr><td>Reason of replacement and explanation</td><td colspan="4">Due to restructuring of PwC Taiwan, the Company replaced Lin Chun-Yao and Yu Shu-Fen with Yu Shu-Fen and Chang Shu-Chiung, starting from Q1 FY 2016.</td></tr>
<tr><td rowspan="3">Statement on whether the authorizing party or the accountant terminate or reject the authorization</td><td colspan="2">Contracting Parties
Condition</td><td>CPA</td><td>The authorizing party</td></tr>
<tr><td colspan="2">Voluntarily terminated the authorization</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Reject the (continuing) authorization</td><td>N/A</td><td>N/A</td></tr>
<tr><td>The opinions and reasons in the signed and issued audit reports which were not "noreservations" in the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Different opinions from the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Scope or procedure of auditing</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
</table>

	Description
Other Revealed Matters (disclosure of Paragraph 6-1-4 to 6-1-7 of Article 10 of these principles)	None

Note 1: Date of appointment approved by the Company's board of directors

2. About the succeeding CPA

Name of accounting firm	PwC Taiwan
Name of the accountants	Yu Shu-Fen CPA and Chang Shu-Chiung CPA
Date of appointment	March 8, 2016 (Note 1)
Consultation on specific accounting methods or principles and possible opinions on the financial reports before appointment and the results of consultation	N/A
Successor CPA to former CPA Written views on disagreements	N/A

Note 1: Date of appointment approved by the Company's board of directors

3. The former CPA's reply towards Paragraph 5-1 and 5-2-3, Article 10 of the accounting standards: Not applicable.

(VII) Has any of the Company’s Chairman, General Manager or manager responsible for finance or accounting duties served in the CPA's accounting firm or its affiliated company within the last fiscal year: None.

(VIII) Equity transfer or changes to equity pledge of directors, supervisors, executive officers or shareholders holding more than 10% of the Company's shares in the most recent year up to the date of publication of this report

1. Change in the equities of the Directors, Supervisors, Managers and major shareholders

Unit: shares

Title	Name	2016		Up to April 2, 2017	
		Shares Held Increase	Increase (decrease) in	Shares Held Increase	Increase (decrease) in
Chairman	Wang Hsun-Sheng	0	0	0	0
Director	Wang Hsun-Hui	0	0	0	0
Director	Representative of CCPC: Sun Yin-Nan	0	0	0	0
Director	Representative of China Development Industrial Bank: Hsu Ta-Cheng (Note 1)	-	-	-	-
Director	Weng Tsu-Mo (Note 1)	-	-	-	-
Director	Representative of Wang Min-Ning Memorial Foundation: Yang Chih-Ping (Note 1)	-	-	0	0
Independent Director	Wang Kuo-Chiang	0	0	0	0
Independent Director	Tsai Cheng-Hsien	0	0	0	0
Independent Director	Chang Chih-Hsian (Note 1)	-	-	0	0
Supervisor	Cheng Hsi-I (Note 1)	-	-	-	-
Supervisor	Liu Hsuan-Ta (Note 1)	-	-	-	-
Major Shareholder	China Chemical & Pharmaceutical Co., Ltd.	0	0	0	0
President	Yang Chih-Ping	0	0	0	0
Vice President	Tsai Chi-Feng	0	0	0	0
Vice President	Huang Chong-Hsin	0	0	0	0
Vice President	Cheng Hong-Yuan (Note 2)	-	-	-	-
Vice President	Cheng Chuan-Wen (Note 3)	-	-	0	0
Manager	Hong Chao-Sheng	0	0	0	0
Manager	Li Chih-Hong	0	0	0	0
Plant Manager	Tseng Kuo-Hsien	0	0	0	0
Manager	Wang Wen-Ping	0	0	0	0
Director	Li Kuang-Tsung	0	0	0	0
Director	Mai Chin- Cheng	0	0	0	0
Manager	Chen Chung-Ho (Note 4)	0	0	-	-
Manager	Chen Cheng-Hung	0	0	0	0
Manager	Chen Ying-Chi (Note 5)	-	-	-	-
Manager	Sung Tsung-Hui	0	0	0	0
Manager	Peng Ching-I (Note 6)	-	-	0	0
Manager	Chen Chun-Ming (Note 7)	-	-	0	0
Manager	Tseng Hsiang-Hung (Note 8)	-	-	-	-
Deputy Director	Chen Ping-Shu (Note 9)	-	-	0	0
Associate Manager	Tung Yen-Shih (Note 9)	-	-	(2,000)	0
Assistant Manager	Li Ting-Hui (Note 9)	-	-	0	0

Note 1: The directors of the board were reelected on May 31, 2016 and an audit committee was set up to replace the supervisor system. Directors China Development Industrial Bank (representative: Hsu Ta-Cheng) and Weng Tsu-Mo, and supervisors Cheng Hsi-I and Liu Hsuan-Ta

left the board on May 31, 2016. Director Wang Min-Ning Memorial Foundation (representative: Yang Chih-Ping), and independent director Chang Chih-Hsien joined the board on May 31, 2016.

Note 2: VP of R&D, Mr. Cheng Hong-Yuan, retired on April 1, 2016.

Note 3: VP of Business Division, Chen Chuan-Wen, was appointed on June 1, 2016.

Note 4: Manager of Info Tech, Mr. Chen Chung-Ho, retired on February 16, 2017.

Note 5: Manager of Sales Department, Chen Ying-Chi, left the position on September 29, 2016.

Note 6: Manager of Human Resources Department, Peng Ching-I, was appointed on January 11, 2016.

Note 7: Manager of Info Tech Department, Chen Chun-Ming, was appointed on February 13, 2017.

Note 8: Manager of E&S, Tseng Hsiang-Hung, was appointed on March 30, 2017.

Note 9: Deputy Director of Analytical Laboratory, Chen Ping-Shu, Associate Manager of Production Technology Department, Tung Yen-Shih, and Associate Manager of Project Management Office, Li Ting-Hui, were appointed on May 1, 2016.

2. Information of the counterpart of equity transfer from the Company's directors, supervisors, executives and/or persons holding over 10% of the Company's shares: None

3.Information of the counterpart of equity pledge by the Company's directors, supervisors, executives and/or persons holding over 10% of the Company's shares: None

(IX) Information on the top 10 holders of the Company's shares who are identified as related parties, spouse or relative within seconddegree of kinship.

April 2, 2017

Name (Note 1)	Shares held personally		Shares held under spouse or minor children's names		Shares held in others' names		List of the company's 10 largest shareholders who are related parties, spouses, or relatives within the second degree of kinship of another (Note 3)		Remark(s)
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name (or individual)	Relationship	
China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%	—	—	—	—	Wang Hsun-Sheng Wang Hsun-Hui Wang Ming-Ning Memorial Foundation	Chairman of CCSB Director of CCSB Same Chairman	
China Chemical & Pharmaceutical Co., Ltd. Representative: Wang Hsun-Sheng	2,854,230	3.68%	117,787	0.15%	—	—	Wang Hsun-Hui Wang Hsun-Yu Wang Ming-Ning Memorial Foundation	Brother Brother and sister Chairman of the Foundation	
Fubon Financial Holding Venture Capital	3,000,000	3.87%	—	—	—	—	—	—	
Fubon Financial Holding Venture Capital Representative: Lin Fu-Hsing	—	—	—	—	—	—	—	—	
Wang Hsun-Sheng	2,854,230	3.68%	117,787	0.15%	—	—	Wang Hsun-Hui Wang Hsun-Yu China Chemical & Pharmaceutical Co., Ltd. Wang Ming-Ning Memorial Foundation	Brother Brother and sister Chairman of CCPC Chairman of the Foundation	

Name (Note 1)	Shares held personally		Shares held under spouse or minor children's names		Shares held in others' names		List of the company's 10 largest shareholders who are related parties, spouses, or relatives within the second degree of kinship of another (Note 3)		Remark(s)
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name (or individual)	Relationship	
Wang Hsun-Hui	1,864,768	2.40%	77,787	0.10%	—	—	Wang Hsun-Sheng Wang Hsun-Yu China Chemical & Pharmaceutical Co., Ltd.	Brother Brother and sister Director of CCPC	
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%	—	—	—	—	Wang Hsun-Sheng China Chemical & Pharmaceutical Co., Ltd.	Chairman of the Foundation Same Chairman	
Wang Ming-Ning Memorial Foundation Representative: Wang Hsun-Sheng	2,854,230	3.68%	117,787	0.15%	—	—	Wang Hsun-Hui Wang Hsun-Yu China Chemical & Pharmaceutical Co., Ltd.	Brother Brother and sister Chairman of CCPC	
Wang Hsun-Wei	1,003,066	1.29%	—	—	—	—	—	—	
Wang Hsun-Yu	1,003,050	1.29%	—	—	—	—	Wang Hsun-Sheng Wang Hsun-Hui	Brother and sister	
Lin Kui-Mei	990,000	1.28%	—	—	—	—	—	—	
Kainan High School of Commerce & Industry	723,503	0.93%	—	—	—	—	—	—	
Tai I-Chen	610,000	0.79%	—	—	—	—	—	—	

Note 1: Please separately identify the names of corporate shareholders and their respective representatives within substantial shareholders.

Note 2: The calculation of shareholding ratio should separately indicate percentage of shares held under the person's own identity, under spouse, minor children, and others' identities.

Note 3: The relationship between the aforementioned shareholders, including corporate and non-corporate shareholders, should be disclosed using the financial standard used by the Company.

(X) Provide information on the number of shares of the company invested by the Company, any of the Company's directors, supervisors and executive officers or a company directly or indirectly controlled by the Company and consolidated percentage of shareholding:

Unit: share; % Apr. 2, 2017

Investments in other companies (Note)	The Company's investments		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Combined investments	
	Number of Shares	Percentage	Number of Shares	Shareholding Ratio	Number of Shares	Percentage
Heng Da Co., Ltd. (Note 2)	-	-	-	-	-	-
Pharmaports LLC	-	98.00	-	-	-	98.00
CCSB Holding Co., Ltd.	600,000	100.00	-	-	600,000	100.00
Suzhou CCSB Trading Co., Ltd.	-	100.00	-	-	-	100.00

Note 1: Long-term investment calculated by equity method.

Note 2:Heng Da Co., Ltd. was dissolved on August 9, 2016, as of the date of publication is still in the liquidation process.

IV. Funding Status

(I) Capital and Shares

1. Source of Share Capital

(1) Formation of Share Capital:

Units: NT$, share; April 30, 2017

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Issued Share	Capital Increased by Assets Other than Cash	Others
80.11 (Note 1)	10	50,000,000	500,000,000	44,500,000	445,000,000	Capitalization of profits NT$ 45,000,000 Capital increase by cash NT$ 100,000,000 Total NT$ 145,000,000	None	—
86.10 (Note 2)	15	80,000,000	800,000,000	70,000,000	700,000,000	Capital increase by cash NT$ 255,000,000	None	—
88.12 (Note 3)	10	120,000,000	1,200,000,000	92,000,000	920,000,000	Capital increase by cash NT$ 220,000,000	None	—
92.09 (Note 4)	10	120,000,000	1,200,000,000	40,200,000	402,000,000	Capital reduction of NT$ 518,000,000	None	—
92.09 (Note 4)	10	120,000,000	1,200,000,000	65,200,000	652,000,000	Capital increase by cash NT$ 250,000,000	None	—
98.08 (Note 5)	10	120,000,000	1,200,000,000	70,200,000	702,000,000	Capital increase by cash NT$ 500,000,000	None	—
100.01 (Note 6)	10	120,000,000	1,200,000,000	77,560,000	775,600,000	Capital increase by cash NT$ 73,600,000	None	-

Note 1: Approved by Securities and Futures Commission, Ministry of Finance; memorandum No. 02602 dated September 12, 1991.

Note 2: Approved by Securities and Futures Commission, Ministry of Finance; memorandum No. 70406 dated September 18, 1997.

Note 3: Approved by Securities and Futures Commission, Ministry of Finance; memorandum No. 107856 dated September 17, 1999.

Note 4: Approved by Securities and Futures Commission, Ministry of Finance; memorandum No. 136955 dated August 15, 2003.

Note 5: Approved by Financial Supervisory Commission; memorandum No. 0980023798 dated May 21, 2009

Note 6: Approved by Financial Supervisory Commission; memorandum No. 0990059478 dated November 1, 2010.

(2) Type of share: April, 2017; Unit: share

Type of Share	Authorized stock			Remark
	Outstanding Shares	Unissued Shares	Total	
Ordinary Shares	77,560,000	42,440,000	120,000,000	Listed Stock

2. Structure of shareholders:

April 2, 2017; Unit: share

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Legal Persons	Natural Person	Foreign Institutions and Individuals	Total
Number of Individuals	0	0	27	16,193	28	16,248
Shares Held	0	0	24,322,191	52,274,366	963,443	77,560,000
Shareholding Percentage	0.00%	0.00%	31.36%	67.40%	1.24%	100.00%

Note: Companies primarily-listed on TWSE and Taipei Exchange shall disclose the proportion of its shares held by investors from Mainland China. Investors from Mainland China refers to natural persons, legal persons, organizations, institutions or companies in areas other than Taiwan and Mainland China invested by persons of such identity as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

3. Conditions of share distribution

(1) Ordinary shares: Share value: NT$10; Unit: share; April 2, 2017

Shareholder Ownership (Unit: share)	Number of Shareholders	Shares Held	Shareholding Ratio
1 to 999	8,750	64,473	0.08%
1,000 to 5,000	5,797	12,223,101	15.76%
5,001 to 10,000	914	7,542,627	9.72%
10,001 to 15,000	235	3,067,715	3.96%
15,001 to 20,000	182	3,414,515	4.40%
20,001 to 30,000	139	3,645,107	4.70%
30,001 to 50,000	114	4,587,548	5.91%
50,001 to 100,000	67	4,687,534	6.04%
100,001 to 200,000	31	4,170,531	5.38%
200,001 to 400,000	7	1,888,186	2.43%
400,001 to 600,000	1	595,000	0.77%
600,001 to 800,000	3	1,935,503	2.50%
800,001 to 1,000,000	1	990,000	1.28%
More than 1,000,001	7	28,748,160	37.07%
Total	16,248	77,560,000	100.00%

(2) Preferred shares: None.

4. List of major shareholders: (persons holding over 5% of the total shares or ranked top 10)

April 2, 2017; Unit: share

Name of Substantial Shareholders \ Shareholding	Shares Held	Shareholding Ratio
China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%
Fubon Financial Holding Venture Capital	3,000,000	3.87%
Wang Hsun-Sheng	2,854,230	3.68%
Wang Hsun-Hui	1,864,768	2.40%
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%
Wang Hsun-Wei	1,003,066	1.29%
Wang Hsun-Yu	1,003,050	1.29%
Lin Kui-Mei	990,000	1.28%
Taipei City Kainan High School of Commerce & Industry	723,503	0.93%
Tai I-Chen	610,000	0.79%

5. Fair market value, net worth, profit, dividend per share and other relevant information for the most recent two years:

Units: NT$, thousand shares

Item \ Year			2015	2016	From the beginning of the year to March 31, 2017 (Note 8)
Market Price per Share (Note 1)	Highest		45.50	43.60	29.85
	Lowest		24.45	25.05	26.70
	Average		33.31	32.67	27.96
Net Worth per Share (Note 2)	Before distribution		23.67	22.83	—
	After distribution		22.17	(Note 9)	—
Earnings per Share	Weighted Average Shares (thousand shares)		77,560	77,560	—
	Earnings per share (Note 3)		3.98	0.78	—
Dividend per Share	Cash Dividend		1.5	(Note 9)	—
	Stock Dividend	Dividends from Retained Earnings	—	(Note 9)	—
		Capital Surplus Distribution	—	(Note 9)	—
	Accumulated dividend not paid out (Note 4)		—	—	—
Return on Investments Analysis	Price-earnings ratio (Note 5)		8.37	41.88	—
	Price-dividend ratio (Note 6)		22.21	(Note 9)	—
	Yield on cash dividend (Note 7)		0.05	(Note 9)	—

Note 1: List the highest and lowest market price of the common shares for each year, and refer to the

transaction value and transaction volume to calculate average market price for each year.

Note 2: Please fill based on the shares already issued by year-end and share allocation decided at the shareholder meeting for the subsequent year.

Note 3: If retroactive adjustments are needed due to stock grants, earnings per share before and after the adjustment should be listed.

Note 4: When the equity securities issuance criteria allow for deferring unpaid dividends accumulated in the year to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends separately up to that year.

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

Note 6: P/D Ratio = Average closing price for each share in the year/cash dividend per share.

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

Note 8: Net worth per share and net earnings per share shall be provided in the CPA audited (reviewed) report of the last quarter up to the date of publication of this Annual Report. All other columns shall be filled with information of this year up to the date of publication of this Annual Report.

Note 9: Distribution of earnings for 2016 is subject to approval of the shareholder meeting.

6. Company Dividend Policy and Implementations:

(1)Dividend Policy:

Under the Company Charter of CCSB, the Company's dividend policy takes into consideration the Company's future capital needs and long-term financial planning while meeting shareholders' demand for cash inflow. When there is surplus after final audit, the priority is to set aside the fund required for taxes and balance previous years' losses, before allotting 10% for the statutory surplus reserve and the special surplus reserves. If a portion of the surplus remains after the above allotments, the remainder is then added with the accumulated surplus from the previous years and set as distributable earnings. However, a portion shall be reserved for business operations. When planning dividends for the shareholders, cash dividend may not be less than 50% of the total dividends. However, when the price per share is lower than NT$0.1, stock dividend shall be distributed.

(2) Planned dividend distributions in Shareholder Meeting:

CCSB's proposal for distribution of profits in 2016 was approved by the board of directors at the March 7, 2017 meeting, but not yet approved by the shareholder meeting. The Company proposed cash dividend of NT$0.5 per share and expects to distribute NT$38,780 thousand in total.

7. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholder meeting:

There was no proposal for stock grants during the 2016 Chunghwa Chemical Synthesis & Biotech Co., Ltd. Shareholder Meeting; therefore, this is not applicable.

8. Compensation of employees, directors, and supervisors:

(1)The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's Articles of Incorporation:

Article 32: If there is profit at the end of a fiscal year, this Company shall allocate 1 to 15% of the profit for compensation to employees and no more than 3% for compensation to directors. However, the Company's accumulated losses shall first be covered.

Distribution of the employee remuneration described in the preceding paragraph may include the employees of affiliates that meet certain conditions and the conditions shall be defined by the board of directors.

(2) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

Compensations of employees and directors are calculated based on the budgeted surpluses and the percentage set in the Company Charter and recognized as operating expenses of the current year. However, when discrepancies are found between the estimation and the actual allotment approved by the shareholder meeting, the amount is recognized as income/loss for the year.

(3) Information on approval by the Board of Directors of distribution of compensation:

A. Compensations of employees and directors in the forms of cash or shares.

Compensation of employees are estimated at NT$10,396 thousand and compensations of directors are estimated at NT$1,040 thousand. Approved by a resolution of the board made on March 7, 2017, the proposed compensation of employees is NT$10,396 thousand and compensations of directors is NT$1,040 thousand. No discrepancies are found between the estimated and recognized costs. The above compensations of employees and directors will be fully paid in cash.

B. Ratio of compensations of employees in stock to the sum of net income from individual company or individual financial statements and total compensations of employee: Not applicable since no compensations have been made in the form of stocks.

(4) Actual allocation of shares for compensations of employees, directors and supervisors (including number of shares, sum and share price), and where there are discrepancies to the recognized compensations for employees, directors and supervisors, provide information on the differences, reason and ways of reconciliation:

CCSB listed NT$13,069 thousand as estimated compensation of employees and NT$1,310 thousand for directors and supervisors in 2015. Approved by a resolution made at the Mar. 8, 2016 board meeting, a total of NT$13,069 thousand was distributed as compensations of employees and NT$1,310 thousand of directors and supervisors. There

is no discrepancy between the estimated and recognized amounts.

9. Repurchase by the company of its own shares: None.

(II) Issuance of Corporate Bonds: None.

(III) Issuance of Preferential Shares: None.

(IV) Issuance of Depository Receipts: None.

(V) Issuance of Employee Stock Options: None.

(VI) New Restricted Employee Shares: None.

(VII) Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

(VIII) Capital Utilization Plans and Implementation: None.

V. Operations Overview

(I) Business

1. Scope of Business:

(1) Major Business Areas

CCSB's registered scope of business includes:

A. Manufacturing of western medicine

B. Distribution of western medicine

C. Any business not prohibited or restricted by laws or regulations, in addition to those permitted.

(2) Composition of Major Business

Chemical synthesis products 29%

Biotech products 71%

(3) Current Product Lines

A. Biotech products: Pravastatin (lipid-lowering medication),
Mycophenolate Mofetil (immunosuppressant),
Mycophenolate Sodium (immunosuppressant),
Mycophenolate Mofetil HCl (immunosuppressant),
Rapamycin (Sirolimus) (immunosuppressant),
Everolimus (immunosuppressants, anti-cancer drug),
Tacrolimus (immunosuppressant),
Caspofungin (anti-fungal drug),
Teduglutide (short bowel syndrome medication).

B. Non-biotech products: Methocarbamol (muscle relaxant),
Metaxalone (muscle relaxant),
Guaifenesin (expectorant drug),
Trandolapril (anti-hypertension medication),
ZP-7 (intermediate of anti-hypertension medication),
Fluconazole (anti-fungal drug),
Olopatadine (anti-histamine medication),
Ethyl Icosapentate (triglyceride-lowering medication),

Omega-3 Carboxylic Acids (triglyceride-lowering medication), Carfilzomib (anti-cancer drug).

(4) New Products under Development

A. Biotech products: Peptide drugs.

B. Non-biotech products: Edoxaban (cardiovascular medicine), Ixazomib citrate (anti-cancer drug), Baricitinib (immunosuppressant), Etelcalcetide (dialysis treatment), Plecanatide (gastrointestinal drug).

2. Industry Overview:

(1) Current state of industry and developments

A. Global API market

APIs are active pharmaceutical ingredients which are generally produced through chemical engineering technologies such as extraction or purification, chemical synthesis and fermentation. Drugs are generally classified into two categories: patented brand-name drugs and generic drugs. In 2015, the scale of the global prescription drugs market was around US$1.72 trillion, of which North America (USA and Canada) accounted for 48.7 percent, a growth of 4.2 percent compared with 2014 (44.5 percent). The European pharmaceuticals market experienced negative growth in 2015 compared with the previous year (25.3 percent). The scale was US$238 billion in 2015, or 22.5 percent of the global market. The Japanese market accounted for 8.1 percent, while the rest of Asia (excluding Japan), Africa, Australia, New Zealand and Latin America accounted for 21 percent, or US$225.1 billion. From 2016 to 2022 the global prescription drugs market is forecast to expand at a compound annual growth rate (CAGR) of 6.3 percent. North America ranks the highest for global market share at 36 percent, followed respectively by Europe (28 percent), Japan (12 percent), and Asia (10 percent). Among the Asian markets, India and China recorded the highest growth rates of 14.5 and 11.3 percent, respectively.

In the pharmaceuticals industry, active pharmaceutical ingredients (APIs) are midstream products in the pharmaceutical supply chain manufactured using extraction, chemical synthesis or fermentation technologies. When the manufacturing process is pushed one or several steps further, pharmaceutical

intermediates are formed. The majority of domestic API manufacturers are precision chemical engineering companies. APIs are further processed by downstream manufacturers into medicines for clinical use. The API industry accounts for about 9 to 12 percent of the whole pharmaceuticals industry, with a global production value of about US$116 to US$159 billion. It is estimated that, in 2017, global sales of API will reach US$195.9 billion and the CAGR from 2014 to 2019 will reach 7 percent to 8 percent. North America is the largest API market in the world, with a market share of 42.2 percent, while Asia is the fastest growing market in recent years with about a 38 percent share of the global market.

Generic drugs, also known as non-patented drugs, refers to the drugs produced by qualified manufacturers based on the same chemical compositions of brand-name drugs disclosed in patent applications after the patents have expired. These manufacturers may produce drugs using identical processes disclosed in the patents or through proprietary processes. According to the TFDA (Taiwan Food and Drug Administration, Ministry of Health and Welfare), generic drugs shall have identical attributes of brand-name drugs in at least seven criteria, including dosage, safety, potency, quality, effectiveness and way of administration, to ensure that they are equal to brand-name drugs in terms of quality, efficacy, purity and stability. In 2016, the production value of the generic drugs market came to US$200.2 billion, and it is estimated that the value will reach US$380.6 billion in 2021, giving a CAGR of 10.8 percent.

According to statistical reports, the global pharmaceutical industry has seen a increase of CAGR from 3.0 percent to 6.0 percent in recent years, in which generic drugs has become a national policy in several developed nations. Not surprisingly, CAGR for the global generic drugs market stands at 10.8 percent, significantly higher than that for the overall pharmaceuticals market. The market for brand-name drugs which patents will expire in the next five years comes to nearly US$200 billion, which is expected to bring the generic drugs industry into a peak period. In the wake of the global financial crisis and the European debt crisis, many countries began to encourage the use of generic drugs in their health reform policies in order to effectively control health care spending and reduce deficits. The two largest markets in the world, the US and EU, are now using generic drugs up to 70 percent

and 65 percent, respectively, and the ratios continue to rise. Even in Japan, where the market share of generic drugs is generally lower due to the unique structure of its pharmaceuticals industry, use of generic drugs has also gradually risen as debt pressure mounts. The Japanese government expects to increase the market share of generic drugs from 23 percent in 2010 to 30 percent in 2015. The Japanese market is expected to experience higher growth than the European and American markets, with CAGR estimated at 7.6 percent from 2013 to 2018. The rise of generic drugs also drove momentum into the application end of APIs. Therefore, as a large quantity of drug patents approach expiration, API manufacturers are expected to benefit from this trend indirectly.

As brand-name drug manufacturers face price competition from generic drug manufacturers, they tend to retain the capacities for production of APIs. Generic drug manufacturers, on the other hand, actively seek contract production of APIs to external suppliers due to the cost factor. Taiwan's API manufacturers have excellent technological capacities and their product quality is high. Even though APIs manufactured in Taiwan generally cost 10 to 20 percent higher than those from bulk API suppliers in China and India, Taiwan's products are mainly niche ingredients that have a higher threshold of entry. To date, successful market differentiation has pushed over 90 percent of Taiwan's API products into Europe and America.

B. Domestic API Industry:

Taiwan's API industry began in the Japanese Colonial Period. In view of the significance of APIs to the pharmaceuticals industry, later governments launched a series of policies and programs to push forward the development of the API industry in Taiwan. The GMP system was launched to the domestic pharmaceutical industry in 1981, and many manufacturers began to pass factory certification by the US FDA (Food and Drug Administration) and its European counterparts. The domestic API plants continued to develop high-level manufacturing technologies and various API products from their proprietary advantages. Since the domestic market is small, most API manufacturers are export-oriented.

The latest Development Center for Biotechnology ITIS program pointed out that the output value of Taiwan's pharmaceutical industry in 2016 is about NT$66.65 billion. According to customs statistics, the import value of Taiwan's pharmaceutical industry in 2016 was estimated to reach NT$94.84 billion, a 5.3 percent growth compared with the previous year, while the export value is estimated at NT$17.33 billion.

Domestic Pharmaceutical Production Units: NT$100 million; %

Category	Year 2015		Year 2016					
	Annual Production Value	Growth Rate	Q1	Q2	Q3	Q4 (e)	Full Year (f)	
			Production value	Production value	Production value	Production value	Production value	Growth Rate
APIs	185.7	-23.0	48.3	41.7	48.8	49.2	188.0	1.2
Western Medicine	368.3	4.7	94.1	100.5	93.0	96.4	384.0	4.3
Biopharmaceuticals	10.6	-24.2	2.5	2.3	3.9	3.5	12.2	15.1
Chinese Medicine	88.8	2.2	20.2	20.8	20.6	20.7	82.3	-7.3
Total	653.4	-5.8	165.1	165.3	166.3	169.8	666.5	2.0

Source: ITIS; Taiwan Industry Economics Services Production, Sales and Stock Database; Development Center for Biotechnology ITIS Report (February 2017)

Note 1: The growth rate refers to a comparison with the same period of the previous year; (e) is an estimated value.

Note 2: API products include APIs, intermediates and excipients. Western medicine products include cardiovascular and renal drugs, gastrointestinal drugs, nutrients and electrolyte solutions, anti-microbials and other Western medicine. Biopharmaceuticals include genetically engineered protein drugs, blood products, human vaccines, anti-allergen drugs. Chinese medicine includes traditional formulations, herbal concentrates and Chinese medicine in Western medicine forms.

Note 3: The total import and export value in the customs statistics for Western medicine does not include biopharmaceuticals and Chinese medicine.

Units: NT$100 million; %

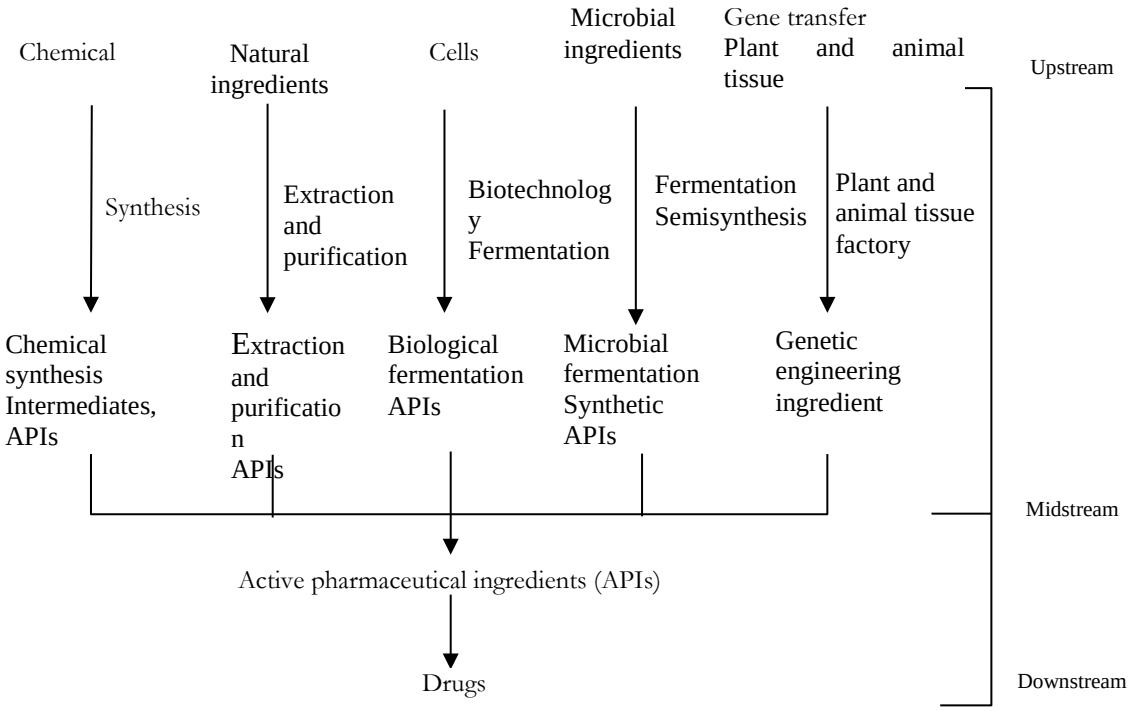
Import Value								
Category	Year 2015		Year 2016					
	Import Value	Growth Rate	Q1	Q2	Q3	Q4 (e)	Full Year (e)	Growth Rate
APIs	65.0	19.3	15.7	14.3	15.3	16.8	62.1	-4.5
Western Medicine	703.2	9.8	182.8	175.2	173.7	198.8	730.5	3.9
Biopharmaceuticals	132.1	17.0	33.1	41.3	38.0	42.9	155.3	17.6
Chinese Medicine	0.67	34.0	0.21	0.06	0.05	0.2	0.52	-22.4
Total	901.0	11.5	231.8	230.9	227.0	258.7	948.4	5.3
Export Value								
Category	Year 2015		Year 2016					
	Export Value	Growth Rate	Q1	Q2	Q3	Q4 (e)	Full Year (e)	Growth Rate
API	42.0	14.1	11.5	11.9	13.2	13.3	49.9	18.8
Western Medicine	110.7	12.0	29.2	30.2	27.8	25.9	113.1	2.2
Biopharmaceuticals	2.35	-25.2	0.6	0.8	0.8	1.1	3.3	40.4
Chinese Medicine	7.1	13.3	1.6	1.8	1.5	2.1	7.0	-1.4
Total	162.1	11.8	42.9	44.7	43.3	42.4	173.3	6.9

Source: Import and Export Statistics from Customs Administration, Ministry of Finance; Development Center for Biotechnology ITIS Report (February 2017)

(2) Links in the upstream, midstream and downstream of the pharmaceutical industry:

CCSB, as an API manufacturer, is positioned in the midstream of the pharmaceutical manufacturing chain. The Company manufactures a range of APIs through varied manufacturing technologies and processes, including biological fermentation, chemical synthesis, extraction/purification and/or combinations of the above manufacturing processes. The Company procures the needed chemical materials or intermediates from upstream manufacturers, manufactures the materials into APIs and sells the APIs to downstream pharmaceutical companies. The downstream companies then add excipients to the APIs to produce final drugs in various easy-to-use forms. APIs are the major active ingredients in the drugs, which mean that they are directly related to the health and safety of the users. Therefore, pharmaceutical companies in all links of the industrial chain (including manufacturers of APIs and finished products) implement strict quality standards to ensure the quality of the materials they use in the production process and, in turn, assure the effectiveness and safety of their products. The food and drug authorities of many countries worldwide have established various standards to regulate the sources of the intermediates used by API manufacturers. Therefore, in order to meet the standards of cGMP (current Good Manufacturing Practices) and maintain the stability of product quality, most API manufacturers form strategic partnerships with upper- and lower-stream suppliers.

Supply Chain of API Industry



Source: CCSB

(3) Product Development Trends:

A. Development trend of the global API industry:

(A)Development Trend of Biotech Products

Macromolecular protein, high activity, fermentation and genetic engineering involve biotechnology pursued by the majority of pharmaceutical companies in their development of macromolecular products, such as TMB's Ibalizumab, PharmaEssentia's long-acting Interferon α and β and TaiGen's hepatitis C virus inhibitors. This product type effectively differentiates from the biosimilars biotech generics in the market. CCSB has planned development strategies for products in this category. In recent years, CCSB established partnerships with European and American pharmaceutical companies for the preliminary development of the above products through existing marketing channels and gradually developed the capability and facilities for fundamental research. When the time comes, we will take the initiative to venture into the fields of API development for several biotech drugs, including anti-coagulants, anti-hepatitis B virus inhibitors and macromolecular hormones.

(B) Development Trend of Non-biotech Products

Currently, CCSB is the only company among domestic API manufacturers that has the technology to produce microorganism biotech products. The majority of domestic API companies manufacture organic synthesis products, but their technologies are different from conventional chemical synthesis processes. Instead, domestic manufacturers are marching into the key chemical synthesis technologies, such as heavy metal reaction, bromination reaction, Grignard reaction, Sodium Azide Reaction and so on, so their products are becoming more and more diverse. CCSB has been developing chemical synthesis products such as anti-fungal fungin series products using key technologies. Contract production of biotech products is also one of our focuses for business development. Ongoing developments include ACE inhibitors, Trandolapril and anti-histamine Olopatadine. The market is expected to expand along with the development of contract customers and our growing technical capabilities will also attract more customers. As our customer base grows, we will introduce advanced technologies into our system and thus develop potential products.

B. Development criteria of the domestic API industry:

To further develop the domestic API industry, we need to work on three areas:

A. Develop a network of international customers to secure sales channels for new products.

B. Develop qualified facilities and systems to meet customers' demands for cGMP standards.

C. Develop a team with the ability to respond quickly and skills to develop new products, so the Company will be equipped to seize opportunities.

(4) Competition

Drugs are used to treat human diseases and injuries, as well as help the body to restore health. It is an indispensable link in medical procedures. Therefore, it is still unlikely that medication will be replaced by other products or services in the short run. However, for treatment of the same ailment, a wide variety of different drugs may yield the same effect; therefore, competition arises. The main products of CCSB are APIs of immunosuppressant and hypolipidemic drugs. The section below illustrates the competition in the market for immunosuppressive and lipid-lowering medication.

Currently, the major immunosuppressant products used worldwide are Mycophenolate Mofetil, Sirolimus, Tacrolimus and Rapamycin derivatives. CCSB has successfully developed APIs for these three products. Among them, Mycophenolate Mofetil has become CCSB's main product line – CCSB has become the largest supplier to the US market. Tacrolimus has also been commercialized and shipped to customers. Our customer in Japan has already obtained the required permit and launched their products at the end of 2013. In addition, patents of several brand-name products are expected to expire soon, including Novartis's Everolimus and Pfizer's Sirolimus. We have shipped small quantities of Sirolimus to our customers and have begun to participate in our customers' product development. Several domestic manufacturers of these products are also looking to enter this market, but only CCSB successfully developed these products and achieved mass production capability. Our foreign competitors include TCP Pioneer Incorporated (Fuzhou, China), Huadong Medicine Co., Ltd. (Hangzhou, China), North China Pharmaceutical Group (Hebei, China), Sandoz, Mercian-Japan (crude form only), Biocon-India, and MSN-India.

The bestselling lipid-lowering drugs are statin-based, taking up 90 percent of the market. Statin products can be categorized into several types according to the production process. Chemical synthesis products include Atorvastatin and Rosuvastatin, and Pravastatin and Simvastatin are made using bio-fermentation. Rosuvastatin has replaced Atorvastatin to become the most popular product. Our fermentation technology product, Pravastatin (patent for Pravachol has expired), has also been mass-produced, with the first shipment in 2003. Currently, CCSB is the only domestic company producing this product. Foreign manufacturers that manufacture this product include Kyowa Hakko (Japan), Zhejiang Hisun Pharmaceutical Company (China), Guangdong Blue Treasure Pharmaceutical (China), Teva-Isreal, Ranboxy-India, Biocon-India, and Concord-India.

CCSB's competitive advantage lies in mass production of immunosuppressants and hypolipidemic drugs. After years of strain optimization, process improvement, purity improvement and reduction of impurities and residues, the quality of our products has become one of the best among international suppliers. Our products have also become highly competitive in the international market.

3. Overview of Technology and R&D:

(1) R&D investment in the most recent year (up to the printing of this annual report):

Unit: NT$1,000

Item \ Year	2016	March 31, 2017
R&D expenses	146,403	35,860
Net revenue	1,198,670	272,229
Percentage of total revenue	12.21%	13.17%

(2) Successfully Developed Technologies and Products

Synthesis Laboratory:

A. Completed development of new manufacturing process for an existing anti-fungal drug, Caspofungin. The new process effectively lowers the cost of production,

thus enhancing market competitiveness.

B.Completed process validation for new PIV anti-myeloma API product, Carfilzomib.

C. Developed manufacturing process for new API drug, Sacubitril Sodium, for heart failure.

D. Developed manufacturing process for new API drug, Ixazomib Citrate, for multiple myeloma.

Bio Tech Laboratory:

A. Completed process validation for Pneumocandin B0 on-site three-batch production.

B. Completed laboratory process scale-up for API polypeptide, Teduglutide. The purity reaches 95% and an on-site process scale-up test is expected in 2017.

C. Completed laboratory process scale-up for API oral anti-coagulant drug, Edoxaban. The purity reaches 95%. We have also completed four specimens of impurity standards for validation of analysis methods and reinforced compliance with API Drug Master File (DMF) requirements.

(3) Future R&D Projects and Estimated R&D Expenditure

A. Synthesis Laboratory

Name of R&D Project	Current progress stage	Expected mass production	Main factors affecting project success	Expected investment in R&D project
Caspofungin	Laboratory	April 2017	Is validation successful	NT$5 million
Sacubitril Sodium	Laboratory	July 2017	Does quality meet standards	NT$10 million
Ixazomib Citrate	Laboratory	December 2017	Does quality meet standards	NT$10 million

B. Bio Tech Laboratory

Name of R&D Project	Current progress stage	Expected mass production	Main factors affecting project success	Expected investment in R&D project
Process validation for Edoxaban	70%	2017	How to surpass original patent and gain quality and price advantage	NT$30 million
Field process amplification for Teduglutide	60%	2018	Quality and scale-up	NT$30 million
Laboratory process development for Ribociclib	5%	2020	How to surpass original patent and gain quality and price advantage	NT$30 million
Laboratory process development for Ozanimod	5%	2021	How to surpass original patent and gain quality and price advantage	NT$30 million

4. Short- and Long-Term Business Development Plans

Over the years, CCSB have passed GMP audits by the food and drug administrations of European countries, the US and Japan. Our product quality has been well recognized in the European and Japanese markets. Upon this solid foundation, we will continue to develop PIV products and expand the market while actively improving the process in pursuit of higher productivity and lower costs.

(1) Long-Term Business Development Plans:

A. Actively collaborate with domestic and foreign pharmaceutical companies for development of CDMO business. We aim to provide process optimization, scale-up, validation, and GMP production services and supply APIs required for clinical trials.

B. Develop PIV products and generic APIs.

C. Develop key technologies, such as hydrogenation, optical division, asymmetric synthesis and organometallic reactions.

D. Develop a series of immunosuppressive and anti-fungal drugs using fermentation technology to reinforce product differentiation and maximize market competitiveness.

E. Actively seek OEM biotech products to facilitate future production of

macromolecular APIs.

F. Develop a different class of semi-synthetic biotech products using CCSB's synthesis and fermentation technology.

(2) Short-Term Business Development Plans

A. Continuously launch full-scale domestic cGMP factory validation.

B. Pass US FDA, EU and PMDA Japan factory audits.

C. Reinforce strategic layout and full-scale marketing of current products in the United States, Japan and Europe.

D. Reinforce distribution and marketing of new products in the European market and increase direct customers.

E. Push forward technology upgrades and process improvement, reduce production costs and increase competitiveness and market share.

F. Develop CDMO businesses and seek participation in new drug development projects launched by domestic or foreign pharmaceutical companies. We will seek partnerships at the early stages, for examples, trial production and production process development for intermediates and products needed at the preclinical and clinical trial stages, and form strategic alliances with major pharmaceutical companies for joint growth along the process.

G. Implement multiple-source procurement to lower costs and optimize production costs to maximize competitiveness.

H. Reinforce strategic alliance with CCPC and develop new products and the global market on the existing foundation through the FKSD20 model.

I. In response to the increasing demand for environmental protection, we are planning to develop solvent recovery technology and continuously implement various management systems and mechanisms, taking proactive actions to reduce waste and effluent. Environment-friendly practices are expected to help us lower operational costs and fulfill our corporate social responsibility.

(II) Overview of market, production and marketing

1. Market analysis:

(1) Regions where main products are sold

Units: NT$ thousand, %

Region	Year	2015		2016	
		Amount	%	Amount	%
Export Sales	Asia	341,628	29.39	369,084	30.79
	Americas	645,714	55.56	635,674	53.03
	Europe	133,915	11.52	94,686	7.90
	Others	1,729	0.15	711	0.06
	Subtotal	1,122,986	96.62	1,100,155	91.78
Domestic sales		39,225	3.38	98,515	8.22
Total		1,162,211	100.00	1,198,670	100.00

(2) Market Share

Over the years, the export value of Taiwan's pharmaceutical industry has lagged far behind the import value. According to an estimate published on ITIS, pharmaceutical exports in 2016 were about NT$17.33 billion, 6.9 percent higher than that in 2015. The main export items were APIs and Western medicine products. APIs produced in Taiwan are mainly for export. The export value is estimated at NT$4.99 billion. The total value of CCSB's export in 2016 accounted for about 24 percent of all APIs exported from Taiwan. The market for generic drugs is expected to expand continuously. CCSB will continue to develop new products and actively improve production efficiency and gradually increase market share.

(3) Supply and Demand and Growth of the Future Market

A. Global Demand:

Continued outsourcing of the production for APIs by international pharmaceutical companies and the coming of a wave of drug patent expiration are expected to expand the volume of orders for APIs produced by domestic pharmaceutical companies. Along with the expansion of global demand for APIs, the global market of API grows at least 10 to 15 percent annually; the generic drugs market grows 2 to 5 percent a year. According to the statistics published by the DOIT of the Ministry of Economic Affairs, as a large number of patents for brand-name drugs expire, a huge business opportunity amounting to US$75 billion will present itself to manufacturers of generic drugs and, in turn, driving the API

market to grow in the next three years. In other words, the global demand for APIs will reach a peak in the next three years. It is estimated that, by 2017, the global API market will reach US$195.9 billion and directly drive orders to domestic API manufacturers.

B. Global Supply:

Due to the factors of production efficiency and environmental costs, pharmaceutical companies in the US successively reduced their production of APIs and gradually exited the market. This role was then taken over by cGMP-certified plants in developing nations. Western Europe had a relatively early start in the development of the pharmaceutical industry and had more advanced technologies. European countries are still the main exporters of APIs. China and India entered the markets in recent years using price competition strategies. This caused European API manufacturers to suffer from excessive production capacity. Many transformed their operation models and also started producing generic drugs. In Asia, China and India had the advantages of low production costs and low environmental requirements. Bolstered by supportive government policies, these countries have developed excellent foundations for the API industry. In recent years, Asia has become one of the most important production bases of APIs in the world. Overall, as China and India rise, the development of the global API market has gradually shifted from Europe to Asia. Although the production scales of Taiwan's domestic manufacturers are generally smaller, product quality, process management and cGMP practices are better than those in China and India. Therefore, Taiwan's manufacturers focused on the development of high-price niche API products and gradually gained a firm foothold in the global market for high-price APIs.

C. Growth:

Over the past century, the global pharmaceutical industry has had stable growth. In recent years, however, several factors have caused a wave of structural changes to the industry. These factors include: ageing population, government policies favoring generic drugs, expiration of drug patents, increased use of generic drugs, and fewer new drugs being approved by the US FDA. In response to these

structural changes, the pharmaceutical industry made corresponding adjustments to their business strategies. This wave of reorganization improved production efficiency and maintained steady growth of the pharmaceutical industry. According to the statistics released by IMS Health, it is estimated that the global drugs market will see an average annual growth rate of about 5 to 6 percent, with the global market expected to grow to US$1.25 trillion in 2018.

(4) Competitive Niches:

A. US FDA and EU PIC/S compliance, plant audits

In the past three years, CCSB passed the cGMP whole plant audit by the Japanese authority (PMDA) for the factory producing Tacrolimus in June 2013, as well as the US FDA GMP system whole plant audit in May 2014. The results were published in the DMF Approved List for open query by major pharmaceutical companies. In addition to the US FDA audit, CCSB also passed the plant audit by the strictest drug permit authority in Europe, the Cologne (Germany) Drug Permit Administration, for the Pravastatin biotech factory in March 2015. The passing of these very stringent audits prove that CCSB's cGMP factories meet the high standards of pharmaceutical companies worldwide. Furthermore, the company's certifications will attract pharmaceutical companies in Europe, America and Japan seeking joint venture partners.

B. Inclusion of CCSB products in Drug Master File

The Drug Master File (DMF) contains mainly information of drug manufacturers, their organization charts, production, quality control and quality assurance processes, product stability testing, product specifications and product impurity profile. In general, when launching an API into the market, a company is required to register its DMF with the local FDA. When the downstream manufacturer lodges an application to the FDA for manufacture of the associated drug, the FDA reviews the DMF registered by the chosen API manufacturer to determine whether the API used meet the standards enforced in the country. Since DMFs require FDA approval, when a company has a considerable number of registered DMFs, the company is generally seen to have a foundation in R&D, production and export competitiveness. Up to date, CCSB has successfully registered DMFs

with the US FDA for 19 products, which brought the company a number of export orders. We will continue to actively develop new products and seek DMF certification to reinforce our export competitiveness.

C. Combining bio-fermentation and chemical synthesis

Most API manufacturers use chemical synthesis as it has clear processes, the production cycle is short, and uses relatively simple equipment. This low entry threshold has brought more competitors into the market. Bio-fermentation technology used for producing APIs is similar to the technology for making yogurt, and involves the use of cell strains, animal and plant tissues, and biotransformation technologies such as enzymes and bacteria to initiate the fermentation and purification process. Since fermentation technology takes longer to produce final products and more factors need to be considered (including humidity, temperature and strain quality), the prices of fermentation products are generally higher. The process is high in both variables and complexity and the process technologies for the different products differ greatly from one another. Therefore, relatively few API manufacturers offer bio-fermentation processes. CCSB is one of the few API manufacturers in Asia to own both the technology and equipment for both bio-fermentation and chemical synthesis technologies. Therefore, to enhance the Company's market competitiveness, we are planning to focus on APIs that require bio-fermentation or combined bio-fermentation and chemical synthesis technologies. We expect to become more competitive in the niche market as the demand for biotech products grows in the future.

D. Low-volume APIs for R&D

Small-scale pharmaceutical companies need small batches of APIs for clinical trials and research purposes when developing new drugs. While such short-term, low-volume orders may only bring modest revenue contributions, they bring with them opportunities for collaborative development and potential new markets. In other words, once the products of these companies are launched into large-scale clinical trials and approved for the market, these companies will become important API customers for CCSB. CCSB has been supplying a pharmaceutical company APIs for new drug development and the drug has entered the third phase of clinical trial. When successfully approved for the market, this new drug is

expected to bring the company increased revenue, as well as enhanced competitiveness.

(5) Factors influencing future development

A. Favorable factors

(A) Our years of experience in cGMP production and cGMP plant audits by domestic agencies, US FDA, the EU (Germany) and PMDA Japan ensures that our existing cGMP products and newly developed products can be marketed in Europe, the US and the Japanese market. CCSB has achieved a stable export ratio of up to 90 percent from 2010 to 2016.

(B) Pravastatin, Rapamycin, Tacrolimus and Mycophenolate Mofetil were successfully launched into the market. Our foundation in mass production of biotech products and accumulated experience helped us develop emerging technology products such as Caspofungin, Everolimus and Peptide series, and led us into the European and US markets.

(C) Our strong synthesis and biotechnology R&D team is the only team in Taiwan capable of producing APIs using both chemical synthesis and bio-fermentation processes. This team lends powerful support to the future research and development of new products, including -rolimus of Everolimus series, fungin of the Caspofungin series and Peptide series products.

(D) Pharmaports LLC, CCSB’s US-based representative, has rich experience in marketing and a strong network in the local market. The experience will provide effective support to our development of the European and American markets.

B. Unfavorable factors

(A) Even though the US market is large and unit price is high, the time for preparation work is long and investment of manpower and resources are substantial. Therefore, it is not easy to gain approval for export in a short period of time. Customers' R&D process, as well as the ANDA application process, are time-consuming and prolong the market entry process.

(B) The European market is characterized by each component country having a different set of GMP requirements. A plant audit is required to enter the local market and the drug permit approval process has become increasingly sophisticated. Therefore, it is rather difficult to set a definite time for approval of drug permits. This results in lost business opportunities.

(C) Although Tacrolimus has been launched for a long time, the technical barrier at the drug production side has been preventing us from reaching the target. While patents in the Europe and US have successively expired, competing manufacturers have also emerged, resulting in price declines and rising market competition.

(D) The government's National Health Insurance drug price policy has had serious impact on the domestic market. Complex PIC/S standards are causing domestic pharmaceutical companies to withdraw from the market. Domestic API manufacturers are facing the situation of low price and low volume, as well as heightened market competition.

(E) The main sources of upstream raw materials and chemical intermediates are located in China. Impacted by several factors, including government policies, environmental awareness, income tax rate hike, zero export tax rebate, strict labor law and rising prices of agricultural materials and crude oil, prices have

been rising year by year, causing substantial hikes in the cost of materials.

(F) Being export-oriented, Taiwan's API manufacturers are vulnerable to exchange rate fluctuation and fierce market competition. After Trump became the 45th president of the United States, he announced his intended exit from the Trans-Pacific Partnership (TPP) and spoke on the directions of US policies, especially on the subjects of "protectionism", "fair trade" and "dollar being too strong". The US dollar continues to decline against major currencies and this heightens currency exchange risk.

C.Response strategies

CCSB's short-term strategy will focus on seeking more diversity on the supply side, as well as qualified suppliers in India and Third World countries. Our midterm strategy will focus on improving production technology, including increasing special processes such as hydrogenation and metallic reaction, to reduce dependency on intermediates from external sources.

2. The Company's main products: Manufacturing processes and usage

(1) Main products:

A. Biotechnology products:

(A) Mycophenolate Mofetil: is used as an immunosuppressive agent for the prevention of organ transplant rejection.

(B) Rapamycin is an immunosuppressive agent for prevention of organ transplant rejection.

(C) Tacrolimus is an immunosuppressant for prevention of organ transplant rejection.

(D) Pravastatin is a lipid-lowering drug used to reduce total cholesterol and low-density lipoprotein cholesterol (LDL) and mitigate arteriosclerosis and cardiovascular disease.

(E) Everolimus is an anti-cancer drug or cardiovascular stent coating and immunosuppressive drug.

B. Non-biotechnology products:

(A) Methocarbamol is a muscle relaxant for muscle tension and pain with the effect of relaxation.

(B) Trandolapril is used for prevention and treatment of heart disease and high blood pressure.

(C) Metaxalone is a muscle relaxant for muscle tension and pain with the effect of relaxation.

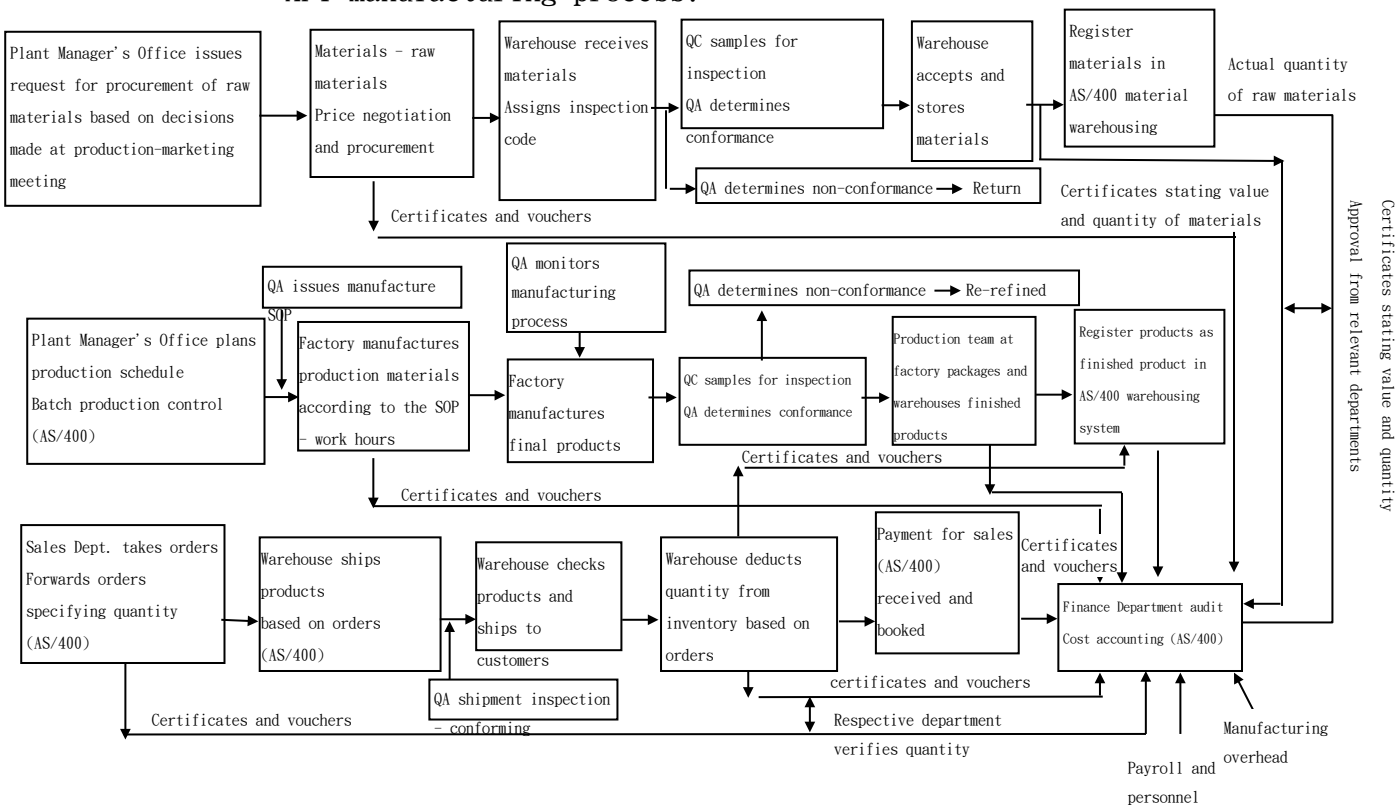
(D) Ethyl Icosapentate is a triglyceride-lowering medication.

(E) Omega-3 Carboxylic Acids is a triglyceride-lowering medication.

(F) Others include Fluconazole for treatment of respiratory and gastrointestinal diseases caused by fungi, such as Candida and Microcystis.

(2) Production process:

API manufacturing process:



3. Supply of main materials:

CCSB procures raw materials from stable long-term suppliers, who are at no risk of short supply. Short supply has not occurred in recent years.

Main raw materials	Main suppliers	Supply status
Mycophenolic Acid	Supplier A	Good
Compactin	Supplier A	
Guaiacol	Solvay	
Mono-Chlorohydrin	Mitsubishi Corporation/ KHS Sychemica	
Dimethyl Carbonate	Kingyorker/Tangshan Wangshuo Trading	

4. A list of any suppliers and customers accounting for 10 percent or more of the company's total procurement (sales) in either of the 2 most recent years, the percentage of total procurement (sales), and an explanation of the reason for the changes in these figures.

(1) Suppliers accounting for over 10 percent of the total procurement:

Major suppliers in the last two years

Unit: NT$1,000

	2015				2016				2017 up to previous quarter (Note 2)			
Item	Name	Amount	Proportion of total procurement value for entire year (%)	Relationship with issuer	Name	Amount	Proportion of total procurement value for entire year (%)	Relationship with issuer	Name	Amount	Percentage of net purchase in year up to previous quarter (%)	Relationship with issuer
1	Supplier A	180,666	40.69	None	Supplier A	194,225	45.02	None	—	—	—	—
2	Others	263,307	59.31	—	Others	237,226	54.98	—	—	—	—	—
	Net purchase	443,973	100.00	—	Net purchase	431,451	100.00	—	—	—	—	—

Note 1: List the names, amount and percentage of the suppliers who accounted for over 10% of total purchases in the most recent two years; in the cases that the suppliers specified non-disclosure clauses in the contract or when the transacted party is a non-related individual, the names may be expressed by assigned codes.

Note 2: Up to the date of publication of this annual report, no recent CPA-audited or -reviewed financial information is available.

Factors causing increase/decrease: Demand for main product line, MMF, increased in 2016; therefore, purchases from supplier A increased over the same period last year. Prices of solvents fell around 2 to 3% and brought a decrease in the total purchases.

(2) Customers accounting for more than 10 percent of the total sales:

Major customers in the last two years

Unit: NT$1,000

	2015				2016				2017 up to previous quarter (Note 2)			
Item	Name	Amount	Proportion of total sales value for entire year (%)	Relationship with issuer	Name	Amount	Proportion of total sales value for entire year (%)	Relationship with issuer	Name	Amount	Percentage of net sales in year up to previous quarter (%)	Relationship with issuer
1	Customer A	300,420	25.85	None	Customer B	332,293	27.72	None	—	—	—	—
2	Customer C	291,341	25.07	None	Customer C	117,653	9.82	None	—	—	—	—
3	Customer B	20,618	1.77	None	Customer A	76,935	6.41	None	—	—	—	—
4	Others	549,832	47.31	—	Others	671,789	56.05	—	—	—	—	—
	Net Sales	1,162,211	100.00	—	Net Sales	1,198,670	100.00	—	—	—	—	—

Note 1: List the names, amount and percentage of the customers who accounted for over 10% of the total sales in the most recent two years; in the cases that the customers specified non-disclosure clauses in the contract or when the transacted party is a non-related individual, the names may be expressed by assigned codes.

Note 2: Up to the date of publication of this annual report, no recent CPA-audited or -reviewed financial information is available.

Factors causing increase/decrease:

(1) New products, EPAE and EVE, are still PIV products. The customer in the US is approaching the final stage of development; therefore, the quantity of purchase dropped significantly compared with the previous year. The quantity is expected to rise significantly after the product of this customer is launched into the market. Although prices fell slightly, sales for lipid-lowering drug, PVTS, grew 18 percent. Sales of immunosuppressants, MMF and RAPA, continued to grow. The growth went up as high as 26 and 72 percent over the previous year. They have become major sources of revenue.

(2) Sales to Customer A decreased. This is mainly due to the fact that Customer A was acquired by Customer B; therefore, the sales was transferred to Customer B. Sales to Customer B increased due to an increase in the sales of MMF and transfer of sales from Customer A.

5. Sales volume and value in the last two years:

Unit: weight (kg), value (in NT$1,000)

Year / Main product	2015			2016		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Biotech products	61,352	57,906	704,604	56,051	46,391	557,326
Non-biotech products	337,350	284,580	222,840	312,858	282,586	257,244
Total	398,702	342,486	927,444	368,909	328,977	814,570

Note: Production capacity, output volume and output value of finished products only.

6. Sales value of the last two years:

Unit: weight (kg), value (in NT$1,000)

Year / Sales Quantity Value / Main product	2015				2016			
	Import		Export		Import		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Biotech products	48	13,386	45,528	851,229	133	17,825	55,269	828,320
Non-biotech products	30,526	25,839	243,616	271,757	47,157	80,690	247,332	271,835
Total	30,574	39,225	289,144	1,122,986	47,290	98,515	302,601	1,100,155

(III) Employees:

Year		2015	2016	From beginning of year to April 30, 2017
Number of employees	Administration	31	35	34
	Quality Control	32	30	30
	Production (note)	150	149	150
	R&D	44	52	49
	Marketing	8	7	6
	Total	265	273	269
Average age		36.8	39.2	39.3
Average number of years of service		7.8	8.8	8.9
Distribution of Education Level	PhD	4%	8%	8%
	Master	20%	23%	23%
	Bachelor	48%	57%	57%
	High School	26%	10%	10%
	Lower than high school	2%	2%	3%

Note: 2015 employees of production units include 43 foreign workers. 2016 employees of production units include 44 foreign workers. Up to April 30, 2017, employees of production units include

51 foreign workers.

(IV) Environmental expenditures

Please list the losses (including compensations) caused by environmental pollution and the total paid out for disciplinary actions in the most recent year up to the date of publication of this annual report and provide information on the response strategies (including remedies) and potential expenses (including an estimated total of potential losses, punishment and compensations arising from failure to take actions; when reasonable estimation cannot be achieved, provide the facts that deter reasonable estimation): The Company has not had any losses due to pollution in the most recent year up to the date of publication of this annual report.

(V) Labor relations

(1) The company's employee welfare policies, continuing education, training, retirement systems and implementation status, the agreement between employees and employer and employees' rights and interests:

A. Employee policies and implementation status:

In addition to fully complying with the Labor Standards Act and relevant regulations, CCSB provides each employee the benefit of health checkup. We have also set up an Employee Welfare Committee to plan annual employee activities and manage the fund for these activities. CCSB's welfare policies include:

(A) Statutory contribution to the retirement pension fund.

(B) Required labor insurance and National Health Insurance, and additional group insurance and regular health checkup.

(C) Birthday monetary gift for employees.

(D) Annual employee travel or subsidy.

(E) Leave for wedding, mourning, special events and celebrations required by the Labor Standards Act, along with subsidies from the Employee Welfare Fund.

(F) Bonuses or gifts for employees for Chinese New Year, Labor Day, Dragon Boat Festival and Mid-Autumn Festival.

(G) Annual leave as required by relevant laws and regulations.

(H) Company dormitory.

B. Education and training and implementation status

To help our employees develop their professional skills, enhance work efficiency and raise awareness of product quality, CCSB implements an annual education and training program and organizes special in-house training courses from time to time. We also dispatch our employees to participate in external training programs to reinforce their professional competence.

(A) New employee training

Our new employee training courses help the newcomers situate into the workplace and provide information on the Company's rules and history, work safety, operations of each department, environmental management materials, professional working methods and requirements, labor laws and occupational safety and health training. The goal is to raise the awareness of new employees in environmental practices, company policies and performance evaluation, making sure that they will become the professionals who meet the needs of CCSB.

(B) On-the-job training

We implement an annual training plan to help our employees refresh their work knowledge and skills and develop second skills. The target is to ensure that all employees meet the requirements for their respective jobs.

Education and training in 2016:

Category of Training	Number of participants, times or hours	Total Cost (in NT$1,000)
Professional skills	1,067	535
GMP	646	
Quality Assurance	36	
General Management Knowledge	749	
EHS	347	
Language	80	
New Employee	306	
Total number of hours/person/year	3,231	
Average number of hours/person/year	12	

(3) Retirement system and implementation status

CCSB set up an employee retirement scheme (hereinafter the "old system") in

accordance with the Labor Standards Act and deposits a certain percentage of each employee’s salary into the retirement pension account at the Taiwan Bank in accordance with the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds put forward by the Ministry of the Interior.

After the Labor Pension Act (hereinafter "new system") came into force on July 1, 2005, employees who were originally under the old system but chose to adopt the new system for the remaining of their years of service, as well as new employees recruited after the new system came into force, come under the defined contribution plan and the Company contributes no less than 6 percent of the monthly salary and deposits the contribution into the designated labor pension account of each individual employee on a monthly basis. For employees who choose the defined contribution plan, CCSB contributes 6 percent of the employees' salaries to the Bureau of Labor Insurance in accordance with the Labor Pension Act and the contributions are recognized as expenses in the period when the contributions are made.

(4) Labor agreement

CCSB values employees' opinions. We are committed to building an environment of open communication. We hold regular employee-management meetings and encourage all employees to communicate with the management in an open and transparent manner. In addition, we require the respective managers and relevant departments to respond as soon as possible. Our goal is to establish an effective channel for two-way communication.

(5) Measures for safeguarding employees’ rights

CCSB has a well-established management system, complete with a full series of procedures and guidelines for various operations and clearly defined employee rights, obligations and benefits. We review the content of our employee welfare policies regularly to safeguard our employees' rights and interests.

(6) Employee code of conduct and ethics

CCSB established the Employee Code of Conduct to provide a set of guidelines for daily work and general conduct. All our employees shall abide by the following principles of ethical conduct:

1. Purposes

1.1 CCSB implements its policies in strict compliance with government regulations to ensure

that the management is effective and all profits gained are legitimate. The Company has the obligation to care for employees' welfare, as well as the rights to request services. All employees shall comply with the provisions of this Code of Conduct with the awareness to prevent themselves from being involved in illegal and unethical dealings and respect their work and colleagues.

1.2 All employees shall strive for reasonable and lawful conduct during the period of their employment at CCSB.

1.3 The supervisor of each department shall take the responsibility to ensure that employees under his/her management abide by this Code of Conduct strictly.

2. Scope

2.1 All employees.

3. Definitions

3.1. Employee

The term "employee" referred to in this Code of Conduct includes hire employees (including management) and temporary contract workers.

3.2. Gifts and special favors

Includes tangible and intangible benefits, such as money in any form, entertainment, discounts, gifts or pledges for future job opportunities.

4. General rules

4.1. The relationship between the Company and its employees shall be based on high moral standards and legal provisions. The Company should also protect minorities, such as foreign workers, women, vegetarians and vulnerable groups, with respect to their needs in everyday living and religious practices. These rules shall be fully manifested in the Company's policies, regulations and all forms of relationships between the management and the employees.

4.2. Employees shall not use their authority in the Company to seek their own interests, regardless which positions they are in or whether compensations are involved. All employees shall avoid using their authority in the Company to profit themselves, their families or friends, or others with whom they are associated for business and financial dealings; neither shall they attempt to use their authority to gain services from other employees of the Company.

4.3. When selecting, assigning or promoting employees for certain positions, the Company considers whether the employees' abilities meet the job requirements and their performance in the Company in terms of contribution and adherence to company policies and rules. We consider every employee equally and fairly.

4.4. When an employee is confronted with a conflict of interest with the Company, he/she shall disclose the matter to his/her direct supervisor immediately, providing the full details of the conflict. The supervisor shall then report to the President after evaluating the conflict of interest and the President shall decide on the course of action to take to resolve the issue.

4.5. Relationship between management and employees

4.5.1. Supervisors shall provide accurate information and guidance when evaluating whether the employees comply with this Code of Conduct. When in doubt, the supervisors shall report to the management for further evaluation. The management shall abide by the following guidelines:

(1) Be knowledgeable of the rules and guidelines regulating the employees, ensure that all employees involved understand these rules and guidelines, as well as their true intentions and implement these rules and guidelines into the management practices.

(2) Be familiar with the ethical and legal responsibilities of being a member of the management.

4.6. Non-management employees

4.6.1. Non-management employees shall follow the instructions of their respective supervisors and strive to complete the work assigned to them.

4.6.2. Non-management employees shall comply with the following rules and guidelines:

(1) Be fully knowledgeable of the provisions laid out in this Code of Conduct and apply the rules to the work assigned by the supervisor.

(2) When practicing the rules in this Code of Conduct, report any doubts to and seek answers from the direct supervisor.
(3) Understand the consequences of violating laws, regulations or code of conduct.

5. Policies

5.1. Employment of relatives

The Company gives job applicants equal opportunities. Blood relatives or relatives by marriage of any employees of the Company are also eligible for any position in the Company. However, persons related to each other will be arranged to work in different units or units without subordination relationships. If such relationship exists, the parties involved have the obligation to inform their immediate superiors. The management of the respective departments shall study whether conflict of interest is involved in conjunction with the respective units and take appropriate action.

5.2. Gifts and special favors

In principle, the Company forbids any form of unauthorized gift-giving and acceptance of gifts or special favors, except in the cases of local customs (e.g. gifts and banquet for wedding, gifts and cake packs for childbirth and condolence money for funerals).

5.2.1. Guidelines for the Company's conduct involving giving/accepting gifts and hospitality

Take the following guidelines into consideration when deciding whether to give customers, distributors and suppliers gifts and hospitality on behalf of the Company:

(1) The event is considered as generally accepted commercial practice.
(2) The event has been approved by the management of the Company.
(3) The value of the gift to be given, gift to accept or hospitality provided is not significant enough to cause the giver/receiver to misinterpret as solicitation for special favor or compensation in business transactions.
(4) The conduct does not violate currently enforced laws and generally accepted ethical standards.
(5) The event will not damage the Company's reputation when publicly disclosed.
(6) The event will not have undue influence on customers, distributors and suppliers and does not violate the standards regulating the conduct of the customers, distributors and suppliers.

5.2.2. Guidelines for employees' conduct involving giving/accepting gifts and hospitality

(1) Employees shall avoid accepting or giving gifts, discounts or other similar favors from/to organizations or individuals having business relationships with the Company.
(2) Employees are strictly forbidden to accept any cut-backs, rewards, compensations, loans (excluding loans from banks or financial institutions specified in the contract), short-term lending or any securities and objects with value from organizations or individuals having business relationships with the Company.
(3) Employees are strictly forbidden to receive excessive gifts or compensations in other forms that would affect the normal business relationships.
(4) When employees or their families receive gifts or rewards considered excessive (value and frequency shall be taken into account), return the gifts, decline politely and report to the immediate superior in writing.
(5) Employees are forbidden to accept cash or immediately cashable gifts, such as gold and stocks.

5.2.3. Entertainment and special favors

(1) Employees are forbidden to accept excessive favors from organizations or individuals having business relationship with the Company in private, for examples, payment for private or company travel expenses.
(2) For maintaining customer relationships, generally accepted courtesies, such as payment for lunch or dinner after meetings, are allowed.

5.2.4. Relationship between employees and suppliers

(1) The Company's relationships with the supplier shall not be jeopardized by employees' pursuit of personal interests.
(2) Employees are forbidden to receive financial benefits or form close private relationships with the Company's suppliers.
(3) Employees are forbidden to accept offers of positions, including director,

supervisor and consultant, from businesses having business relationships with the Company (and its competitors) before approval is given.

(4) When selecting suppliers, factors, such as environmental practices, child labor and corporate practice, shall be taken into consideration in addition to price, quality, delivery, service, source diversity and reputation. Products or services offered by minorities, women, vegetarians and disadvantaged groups shall also be given adequate opportunities.

(5) Employees shall be honest with the suppliers and provide adequate protection to the confidentiality of supplier information.

(6) Employees shall honor the contracts signed with suppliers.

(7) Employees shall not solicit donations for the Company from suppliers or consultants, unless with consent from the management.

5.2.5. Business relationships with other external organizations

(1) All employees of the Company are devoted to clear awareness of the right conduct, conscientious and law-abiding, driven to perform, and committed to act with the best interests of the Company in mind.

(2) Employees shall not work or provide professional services for other companies.

(3) When engaging in second jobs, the schedule shall not affect normal work hours or overtime required from time to time and contingent assignments.

(4) The Company will not accept former employees as suppliers or entertain business solicitation from former employees in an individual capacity within three years after they had left the Company. This rule does not apply to former employees who have been laid off or retired, whose labor contract expired and who have been transferred to the Company's affiliates with the management’s agreement. In principle, the Company does not purchase materials and equipment from suppliers who recruit former employees of the Company until three years after the respective employees had left the Company.

(5) Employees required to sign a letter of commitment are prohibited from directly or indirectly engaging or investing in businesses offering the same or similar products of the Company and shall comply with the committed undertakings.

(6) When hiring former government employees, verification activities shall be carried to identify the commitment or restrictions associated with their government appointment.

(7) Any improper conduct of any person associated with the Company's employees, for example, spouse, dependent or employee of other organizations, that are severe enough to damage the interests of the Company will be seen as conduct of the associated employee.

5.3. Confidentiality of company information

5.3.1. Employees of the Company are forbidden to disclose material information related to the interests of the Company, such as research and development plan, product and process data, equipment, cost of marketing, financial statements, list of suppliers, company regulations and employee directory, to any outsider and competitor.

5.3.2. Employees of the Company are forbidden to disclose personnel information (organization chart, rank, job title, salary and phone number) to any outsider or organization without written consent from the relevant unit.

5.3.3. Unauthorized personnel are strictly prohibited from entering the Company's research, engineering, laboratory, production and finance units, unless prior application has been approved by the respective units.

5.4. All employees of the Company are prohibited from using the Company's data without consent or taking advantage of their authority for personal gain.

5.4.1. Employees of the Company are prohibited from using their positions in the Company to access confidential information and using such information for personal gain, for example, selling the information.

5.4.2. Employees of the Company are prohibited from soliciting private gain from real estate or any other property which the Company intends to purchase.

5.4.3. Employees are prohibited from disclosing the Company's confidential data to other businesses.

5.5. Maintenance of the Company's properties, minutes of meetings and funds

All employees are responsible for safeguarding the Company's properties, minutes of meetings and funds from loss and theft. Properties of the Company can only be used for the benefit of the Company. Unless otherwise authorized, company properties shall not be used for personal gain, including selling or transferring to outsiders.

5.6. Protection of intellectual property

Unless otherwise provided in copyright laws or permits, employees of the Company are strictly prohibited from copying, distributing or using copyrighted objects, films, videotapes, intellectual properties or important documents of the Company without authorization. Using intellectual property and patents of the Company or allowing non-company employees to use the company's software facilities are strictly forbidden.

5.7. Employees' participation in outside activities

CCSB is a member of the society. We are involved in the society and participate in/sponsor community activities. The Company also encourages employees to actively participate in charity event during holidays in the capacity of individual citizens. Employees shall not participate in events as representatives of the Company. When an employee intends to take positions in or run for public office, he/she shall report to the direct superior and the supervisor shall consult the President. The purpose is to prevent any conflict with the Company's interests. Meanwhile, when serving or running for public office, the employee shall not use resources of the Company, such as stationery, stamps, mail services and access to telephone, fax and Internet, or require employees of the Company to help.

6. Appendices

6.1. Employees who fail to report the abovementioned events or forge reports, or violate the provisions in this Code of Conduct will be subject to penalties, including suspension, dismissal and even legal sanctions.

(7) Workplace and employee safety:

Item	Content
Access Control	Security guards are stationed 24 hours and even during holidays to ensure the security of the plant.
Equipment Inspection and Maintenance	1. The Company commissions professional organizations to audit the fire safety facilities every year as required by the Fire Services Act. 2. The Company implements daily, monthly, quarterly, semi-annual or annual cycles of automatic inspection and maintenance for high- and low-voltage electrical equipment, elevators, fire safety equipment and other safety facilities as required by the Safety and Health Work Rules.
Disaster Prevention and Response Measures	1. To safeguard employees' health and safety, the Company set up the E&S Department to manage occupational safety and health related operations. 2. The Company set up the "Safety and Health Work Rules" and "Safety and Health Management Plan", which lay out clear systems for labeling of hazardous substances, automatic machinery and equipment inspection, education and training, promotional activities for health and safety, emergency response and walk-around inspection, and request our employees and contracted suppliers to give their best efforts to prevent occupational hazards and accidents. 3. The Company holds fire protection and prevention drills every six months as required by the Fire Services Act. 4. All employees are provided with personal protective gear and are required to wear the gear during work. 5. Necessary equipment for emergency rescue are installed.
Physical Health	1. Health checkup: Health checkup are provided for new employees in addition to regular checkup and special health examinations for all employees. 2. Workplace health: Smoking is prohibited in all areas of the workplace as required by law. Employees are trained in CPR and first aid and offices are cleaned on a regular basis.
Mental Health	1. Prevention of sexual harassment with complaint mechanism and punishment clause: menstruation leave, parental leave and other welfare policies. 2. Communication: employee suggestion box and employee discussion site are set up to provide employees effective channels for communication and complaints.
Insurance and Medical Care	1. All employees are insured with labor insurance and National Health Insurance as required by law. 2. All employees are covered by group insurance (including life, accident insurance, hospitalization and cancer coverage).

2. Losses arising as a result of labor disputes in the most recent year up to the date of publishing of this annual report and disclosure of potential losses in the current and future terms and countermeasures: none

(VI) Important contracts

The table below lists the contracts that are still valid and the contacts that expired in the most recent year up to the date of publication of this annual report, including contacts for supply, technical cooperation, construction projects, long-term loans and other important contracts that may affect shareholders' interests:

Nature of Contract	Contracting Party	Contract start/end date	Major Content	Restriction Clause
Loan Contract	Yuanta Bank	Oct 23, 2015 to October 22, 2018	Equipment Collateral	None
Loan Contract	Yuanta Bank	August 5, 2015 to August 4, 2018	Long-term loans	Collateral on machines and equipment may not be removed until the outstanding balance of each loan is fully paid.
Loan Contract	E. SUN Commercial Bank	July 19, 2016 to July 19, 2018	Long-term loans	None
Loan Contract	Shin Kong Bank	March 25, 2016 to March 25, 2018	Long-term loans	None
Loan Contract	Taipei Fubon Commercial Bank	Apr 25, 2016 to Apr 25, 2018	Long-term loans	Semi-annual consolidated financial reports current ratio above 100%, debt ratio below 150% and tangible net worth more than NT$1.2 billion.
Purchase Contracts	Supplier A	January 1, 2016 to December 31, 2017	Procurement contracts for biotech product intermediates	None
Commission Agreement	Ren-Pharm International, Ltd	June 3, 2009 to June 2, 2017	Sales commission agreement	None
Commission Agreement	A.R.Z. Chemicals International Trade Ltd	January 1, 2010 to December 31, 2017	Sales commission agreement	None
Commission Agreement	A.R.Z. Chemicals International Trade Ltd	November 1, 2011 to October 31, 2017	Sales commission agreement	None

Marketing Cooperation	A domestic pharmaceutical company	January 1, 2016 to December 31, 2017	Cooperative Marketing agreement for immunosuppressive drugs	None

(IV) Financial reports of the most recent year: Please refer to the Chinese edition of the annual report, pages 97 to 150.

(V) Individual financial reports of the most recent year audited and certified by the CPA: Please refer to the Chinese edition of the annual report, pages 151 to 200.

(VI) Information on financial difficulties during the most recent year up to the publication date of this report and the impact on the Company's financial conditions: None.

VII. Review, analysis, and risks of financial conditions and performance

(I) Financial status:

Comparative analysis of financial conditions

Unit: NT$1,000

Year / Item	Dec 31, 2016	Dec 31, 2015	Difference		Remark
			Sum of the changes	Ratio of changes (%)	
Current Assets	728,768	864,494	(135,726)	(15.70)	
Available-for-sale financial assets – non-current	91,512	99,306	(7,794)	(7.85)	
Financial assets carried at cost – non-current	33,115	33,115	—	—	
Property, plant and equipment	1,837,806	1,838,916	(1,110)	(0.06)	
Net investment properties	10,700	10,700	—	—	
Intangible assets	214	1,297	(1,083)	(83.50)	Note 1
Deferred income tax assets	13,076	17,291	(4,215)	(24.38)	Note 2
Other non-current assets	10,451	5,514	4,937	89.54	Note 3
Total Assets	2,725,642	2,870,633	(144,991)	(5.05)	
Current Liabilities	611,558	635,101	(23,543)	(3.71)	
Non-current Liabilities	342,917	371,738	(28,821)	(7.75)	
Total Liabilities	954,475	1,006,839	(52,364)	(5.20)	
Equity attributable to owners of parent company	1,770,873	1,835,710	(64,837)	(3.53)	
Share Capital	775,600	775,600	—	—	
Capital Surplus	334,323	334,323	—	—	
Retained Earnings	671,989	728,805	(56,816)	(7.80)	
Other Equity	(11,039)	(3,018)	(8,021)	(265.77)	Note 4
Treasury stock	—	—	—	—	
Non-controlling Interests	294	28,084	(27,790)	(98.95)	Note 5
Total Equity	1,771,167	1,863,794	(92,627)	(4.97)	

Information on items with changes over 20 percent:
Note 1: Decrease in intangible assets is mainly due to the completion of amortization of computer software.
Note 2:Decrease in deferred income tax assets is mainly due to the loss of reversed inventories in the current period.
Note 3: Increase in other non-current assets is due to the advanced payment to the retirement pension in the current period.
Note 4: Decrease in other equities is mainly due to the decrease in the share price of the underlying financial assets for sale.
Note 5: Decrease in non-controlling interests is mainly due to distribution of cash dividends for non-controlling interests.

(II) Financial performance:

1. Financial performance comparison/analysis table

Unit: NT$1,000

Item \ year	2016	2015	Sum of the changes	Change in proportion(%)	Remark
Operating Revenue	1,198,670	1,162,211	36,459	3.14	
Operating Cost	(784,208)	(755,738)	(28,470)	(3.77)	
Gross Profit	414,462	406,473	7,989	1.97	
Operating Expenses	(316,332)	(306,958)	(9,374)	(3.05)	
Operating Profit	98,130	99,515	(1,385)	(1.39)	
Non-Operating Income and Expenses	(5,041)	236,591	(241,632)	(102.13)	Note 1
Net income before tax	93,089	336,106	(243,017)	(72.30)	Note 1
Income tax expense	(32,906)	(27,795)	(5,111)	(18.39)	
Net income	60,183	308,311	(248,128)	(80.48)	Note 1
Comprehensive income or loss (net value) in this period	(8,784)	(4,987)	(3,797)	(76.14)	Note 2
Total comprehensive income (loss)	51,399	303,324	(251,925)	(83.05)	
Net income attributable to owners of parent company	60,283	308,356	(248,073)	(80.45)	
Net income attributable to non-controlling interests	(100)	(45)	(55)	(122.22)	
Comprehensive income (loss) attributable to owners of parent company	51,503	303,355	(251,852)	(83.02)	
Comprehensive income (loss) attributable to non-controlling interests	(104)	(31)	(73)	(235.48)	

Information on items with changes over 20 percent:

Note 1: Decrease in non-operating income and expenses, net profit before tax and net profit in the current period are the results of comparison since extra income from selling of land was recorded in the same period of last year.

Note 2: Decrease in other consolidated gains and losses (net) in the current period are due to the decrease in the share price of the underlying financial assets for sale.

2. Estimated sales volume and its basis: Please refer to the "Report to Shareholders".

(III) Cash flow:

1. Analysis of cash flow changes in the most recent fiscal year

Item/year	2016	2015	Increase/decrease ratio (%)
Cash flow ratio (%)	42.72	12.54	240.67
Cash flow adequacy ratio (%)	41.20	33.89	21.57
Cash reinvestment ratio (%)	4.29	1.20	257.5
Interpretation of ratio variations: 1. The increase in cash flow ratio is due to the decrease in accounts receivable in this period and the decrease in inventories and bank borrowings. 2. Increase in net cash flow adequacy ratio is due to the decrease in accounts receivable in this period and the decrease in inventory. 3. Increase in cash reinvestment ratio is due to the decrease in accounts receivable in this period and the decrease in inventories.			

2. Liquidity improvement program: N/A

3. Cash liquidity analysis for the following year.

Unit: NT$ thousand

Cash and cash equivalents at beginning of the year	Net cash flow from business activities throughout the year	Cash out-flow throughout the year	Sum of cash surplus (Inadequacy)	Remedial measures for cash inadequacy	
				Investing plan	Financing plan
143,080	1,239,469	1,327,418	55,131	—	—
1. Analysis of changes to cash flow in the most recent year: (1) Business activities: We will continue to develop the US market. Higher net cash in-flow from business activities can be expected in the next year. (2) Financing activities are mainly distribution of cash dividends and compensations of employees and directors. 2. Remedial measures and liquidity analysis for expected cash inadequacy: N/A					

(IV) Major capital expenditures in the most recent year and their impact on the company's finances: None.

(V) Reinvestment policy in the most recent year, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year:

Unit: NT$1,000

Item \ Description	Initial investment	Policy	Investment profit or loss	The main causes of profit or loss	Improvement plan	Investment plans in the upcoming year
China Chemical & Pharmaceutical Co., Ltd.	103,425	Strategic investment	(Note 1)	China Chemical & Pharmaceutical Co., Ltd. is a downstream pharmaceutical manufacturer. The company has achieved stable operations and profitability in recent years.	None	None
Heng Da Co., Ltd.	34,995	Expand the scope of operations	(48)	Production of this company has been shut down since 2000. The company was dissolved on August 9, 2016; as of the date of publication is still in the liquidation process.	None	None
Pharmaports LLC	4,925	The company serves as the contact point with the US FDA for communication on regulatory matters and a marketing base in North American.	1,733	In good operating conditions.	None	None
CCSB Holding Co., Ltd.	17,940	Holdings and Reinvestment (Note 2)	(652)	Reinvested businesses are still making losses.	The benefit of investment has not been shown.	None
Suzhou CCSB Trading Co., Ltd.	14,827	Reinvestment (Note 3)	(513)	General operating expenses.	The benefit of investment has not been shown.	None
Suzhou PengXu PharmaTech Co., Ltd.	10,432	Strategic investment	(Note 4)	This business is still in the initial investment stage. The benefit of this investment has not been shown.	The benefit of investment has not been shown.	None
CDIB Capital Healthcare Ventures Ltd.	30,000	Strategic investment	(Note 4)	This business is still in the initial investment stage. The benefit of this investment has not been shown.	The benefit of investment has not been shown.	None

Note 1: This is a financial product for sale –non-current and therefore not recognized for investment income/loss.

Note 2: Reinvestment in Suzhou CCSB Trading Co., Ltd.

Note 3: Reinvestment in Suzhou Pengxu PharmaTech Co., Ltd.

Note 4: This is a financial asset –non-current measured by the cost method and therefore not recognized as investment income/loss.

(VI) The following items should be evaluated in the risk assessment of the most recent year up to the publication date of this annual report:

1. The impacts of interest rates, exchange rate fluctuation and inflation situation on the company's profit and loss, and the future countermeasures:

Item	2015 (NT$1,000; %)	2016 (NT$1,000; %)
Net interest income (expense)	(7,969)	(6,419)
Net currency exchange gain (loss)	8,681	(2,314)
Ratio of net interest income/expense to net revenue	(0.69)	(0.54)
Ratio of net profit/loss to net revenue	0.75	(0.19)
Ratio of net interest income/expense to net profit before tax	(2.37)	(6.90)
Ratio of net profit/loss from currency exchange to net profit before tax	2.58	(2.49)

(1)Changes in interest rate: CCSB uses working capital to support the overall operations. Bank financing is also one of the main sources of funds. The Company's net interest income (expense) in 2015 and 2016 came to (NT$7,969,000) and (NT$6,419,000), accounting for (0.69)/(2.37) and (0.54)/(6.90) percent respectively. The Company will assess bank borrowing rates regularly and make adjustments to the capital utilization rate according to the changes in the interest rate, aiming to reduce interest expense.

(2)Fluctuation in exchange rates: Net profit (loss) from currency exchange for 2015 and 2016 came to NT$8,681,000 and (NT$2,314,000) respectively, accounting for 0.75/2.58 and (0.19)/(2.49)percent of the current operating income and net profit before tax. The Company's response to the risk of exchange rate is further described below:

A. Continue to reinforce the awareness of foreign exchange hedging of financial officers. Use Internet real-time currency exchange system and improved interactions with financial institutions to determine the movements in exchange rates and avoid negative impact from exchange rate fluctuations.

B. Before giving quotes to customers, evaluate and consider

future exchange rate movements and factors that influence exchange rate first, then provide appropriate and reasonable quote and payment terms to avoid exchange rate fluctuations from significantly impacting the company's profitability. In addition, the financial personnel will pay close attention to the movements of exchange rates and decide on an appropriate time to settle currency exchange and make payment, aiming to maximize the effectiveness of currency risk management.

C. Controls by regular offset of foreign currency receivables and payables will create an effect of automatic hedging to buffer the impact from fluctuation in exchange rates.

(3)Inflation: The international economy in recent years is characterized by hiking commodity prices and tightened supply of energy. Price indexes worldwide are rising, but overall economic growth and industrial development are still considered stable. Therefore, inflation is still within reasonable control. The Company has maintained good relationships with our suppliers and customers and constantly pays close attention to the market prices of raw materials. Therefore, inflation has not had a significant impact on the Company's profit and loss. In the future, CCSB will continue to pay close attention to inflation. When the costs of materials increase due to inflation, the Company will make adjustments to the selling price, raw materials and inventory.

2. The policies to engage in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, and transactions of derivative products, the main reasons for profits and losses, and the future countermeasures:

A. CCSB operates under the principles of conservatism and prudence and has not engaged in high-risk, highly leveraged investments.

B. In the most recent year up to the date of publication of this annual report, the Company did not engage in lending, endorsement and derivative financial transactions. Nonetheless, the Company has set up the "Standard Operating Procedure for Lending of Capital", "Standard Operating Procedure for Endorsements and Guarantees" and "Standard Operating Procedure for Acquisition and Disposal of Assets", which will serve as the basis when such transactions arise to ensure the Company's best interests.

3. Future research and development (R&D) Plans and the R&D expenses expected to be invested:

CCSB is committed to proprietary research and development. Our main source of technology comes from long-term development of R&D talents and research projects, as well as close technical cooperation with our upstream suppliers. In recent years, we have also been actively recruiting R&D talents. In the coming year, we will continue to invest in R&D. We are aware that our future success lies in our top-notch R&D personnel, advanced industrial design technology and customer-centered business model. In the future, we will continue to enhance the effectiveness of our products and strive for high market competitiveness through our accumulated achievements in R&D.

4. The impacts of changes of the important domestic and foreign policies and laws on the company's finance and business, and the countermeasures:

CCSB strives to fully comply with domestic and foreign laws and regulations and pays close attention to the development of relevant policies in Taiwan and foreign countries. Our RA & QA Division, Bio Tech, Synthesis and Analytical Laboratories will also formulate responding strategies when needed. In the most recent year up to the date of publication of this annual report, the Company was not affected by any major changes in the policies and laws domestically or in foreign countries.

5. The impacts of technology changes and industry changes on the company's finance and business, and the countermeasures:

CCSB's major business activities are manufacturing and marketing of active pharmaceutical ingredients (APIs). Therefore, we pay close attention to market information, as well as collect and analyze information on developments in the market and in technology for biotech applications. Our market research helps us to effectively minimize the impact from the shifting trends of technological development and, at the same time, enables us to reinforce R&D for products with high added-value and high profit, ensuring the stability of our products and profitability. In the most recent year up to the date of publication of this annual report, the Company's financial operations did not experience any major impact from shifting trends in technology and the industry.

6. The impacts of change of corporate image on enterprise crisis management and the countermeasures:

In the most recent year up to the date of publication of this annual report, the Company was not exposed to risks associated with changes in the image of the company.

7. The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures:

In the most recent year up to the date of publication of this annual report, the

Company did not have any plan for mergers and acquisitions. Therefore, this inquiry does not apply.

8. The expected benefits and possible risks to expand the plants and the countermeasures:

In the most recent year up to the date of publication of this annual report, the Company did not have any plan to expand the factories. Therefore, this inquiry does not apply.

9. The risks associated with concentrated procurement and sales, and the countermeasures:

CCSB is a professional API manufacturer. APIs are the active pharmaceutical ingredients in drugs; therefore, they are the key ingredients concerning the health and safety of the users. To ensure the effectiveness and safety of the drugs, pharmaceutical companies in all links of the industrial chain (from manufacturers of API input materials to finished products) implement strict quality standards to ensure the quality of the materials they use in the process of production. The food and drug authorities of many countries worldwide have established various standards to regulate the sources of the intermediates used by the API manufactures. To ensure product quality and compliance with the cGMP standards imposed by the US FDA, every new source of raw materials that enters our plant is repeatedly tested for stability before official deployment and, once a material is used in our production, the same source is maintained. This is to ensure the stability, reliability and safety of our products.

In 2015 and 2016 all major suppliers engaged by CCSB supplied over 30 percent of the raw materials to the Company. Since the supply of the major materials is stable and the Company has also established a mechanism for analysis of the sources of raw materials, we expect to gradually expand the base of suppliers who are compliant with the US FDA drug permit requirements. A larger base of suppliers will help us get better control of the cost of materials and effectively lower the risk of material supply shortage. In 2015 and 2016 the Company's customers are mainly foreign pharmaceutical companies. They are required to meet full compliance with US FDA drugs permit requirements; therefore, the Company's API products sold to foreign pharmaceutical companies are not easily replaced. CCSB has built close partnerships with our existing customers and continues to develop new customers. Currently, there is no risk of overly concentrated sales.

10. The impacts and risks arising from major exchange or transfer of shares by directors, supervisors or shareholders with over 10 percent of stake in the company and the countermeasures:

On May 31, 2016, CCSB held a full-scale election for the directors of the board at the shareholders’ meeting. The election plan and procedures were approved at the board and shareholders' meetings. Therefore, the event did not have any major impact on the

Company's management structure.

11. Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

In the most recent year up to the date of publication of this annual report, there was no change to the management structure of CCSB. The Company entrusts its management and major business planning to professional business administrators and major decisions are proposed after stringent evaluation of the industry and the market and implemented after board approval is obtained. The Company has a complete organizational structure and each division/department is fully authorized for optimal operations, as well as charged with equal responsibilities. Through our internal control system, our management team strives to achieve optimal communication and coordination with each department and maximal implementation of management policies. Our management team is in good control of the operational efficiency to ensure full achievement of our business goals. Therefore, the changes in the management structure are considered minor in the overall operation of the Company and therefore the impact is minimal.

12. Litigation and non-litigation events:

(1)Confirmed judgment, ongoing litigation, and non-litigation or administrative contention cases in the last two years and up to the printing of this annual report that can have a significant impact on shareholders' equity or securities prices shall be disclosed. Disclosure shall include disputed facts, monetary amount involved, proceeding starting date, the main parties involved, and present status: None.

(2)Confirmed judgment, ongoing litigation, and non-litigation or administrative contention cases involving company director, supervisor, the President, actual representative of the Company and stockholders with more than 10% of the Company's stocks in the last two years and up to the printing of this annual report that may have a significant impact on shareholders' equity or securities prices: None.

13. Other material risks and response measures: None.

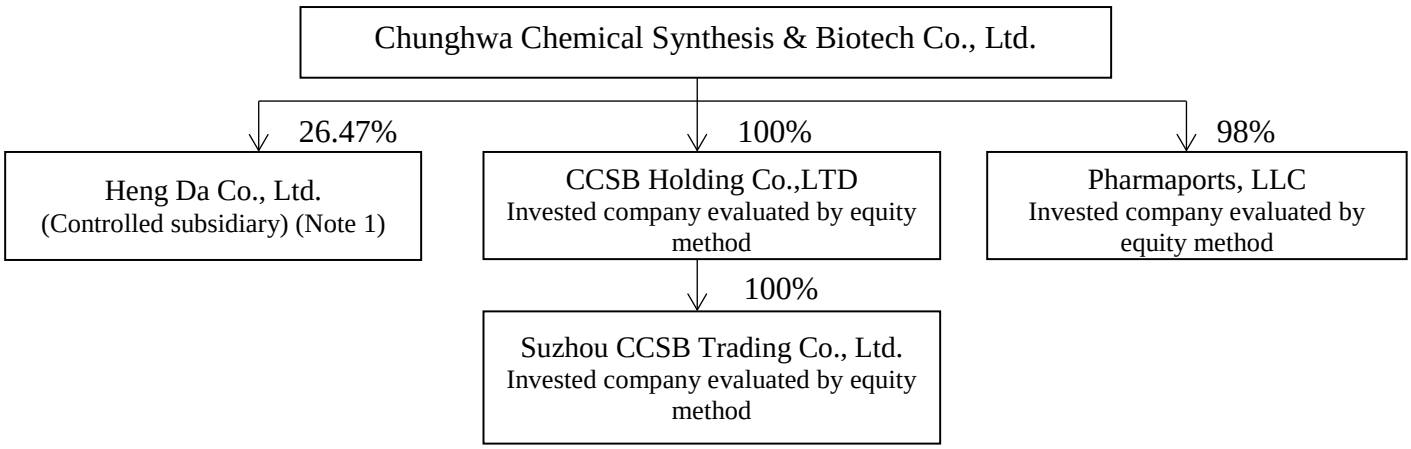
(VII) Other Items: None.

VIII. Special Items

(I) Relevant data on affiliated businesses:

1. Consolidated business report of affiliated enterprises:

(1) Organization structure of affiliated businesses



(2) Major suppliers in the last two years

Units: NT$1,000

Name of Company	Date of Incorporation	Address	Actual paid-in capital	Principal business
Heng Da Co., Ltd. (Note 1)	1980.05.01	2F., No.23, Xiangyang Rd., Taipei City 100, Taiwan (ROC)	15,000	Manufacturing of chemical products
Pharmaports LLC	1999.06.01	1 E Uwchlan Avenue, Suite 116, Exton, PA 19341, USA	USD225	Sale of chemical raw materials and plastic containers
CCSB Holding Co., Ltd.	2013.05.15	Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands	USD600	Holding and reinvestment
Suzhou CCSB Trading Co., Ltd.	2013.09.17	Room 1710, Building 1, Century Financial Tower, No. 1, Suhua Road, Suzhou Industrial Park, Jiangsu, China	USD500	Trading of chemical raw materials and agent/consultant for patents and technology

(3) Common shareholders with companies identified as under control of or affiliated to CCSB: N/A

(4) Overall business scope of every affiliated business:

A. Main Industry

Name of Company	Main Industry
Heng Da Co., Ltd. (Note 1)	Manufacturing of chemical products.
Pharmaports LLC	Sale of chemical raw materials and plastic containers.
CCSB Holding Co., Ltd.	Holding and reinvestment.
Suzhou CCSB Trading Co., Ltd.	Trading of chemical raw materials and agent/consultant for patents and technology.

B. Business dealings between affiliates:

CCSB and its affiliates are engaged in manufacture and selling of API products. The Company does not sell products or procure materials from any specific companies. The affiliates may also purchase products from CCSB when necessary, but all trading terms are equal to those offered to other customers Heng Da Co., Ltd. was dissolved on August 9, 2016, as of the date of publication is still in the liquidation process. Therefore, CCSB does not have any transactions with this company in the current term.

(5) Information of directors, supervisors and general managers in all affiliated companies:

Dec 31, 2016 units: share; %

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding percentage (%)
Heng Da Co., Ltd. (Note 1)	—	—	—	—
Pharmaports LLC	Chairperson	Chunghwa Chemical Synthesis & Biotech Co., Ltd., (CCSB) Representative: Yang Chih-Ping	–	98.00
CCSB Holding Co., Ltd.	Director	Chunghwa Chemical Synthesis & Biotech Co., Ltd., (CCSB)	600,000	100.00
Suzhou CCSB Trading Co., Ltd.	Executive Director	Yang Chih-Ping	—	—
	Supervisor	Li Chih-Hong	—	—

(6) Operating status of affiliated enterprises:

Units: NT$ 1,000

Name of Company	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (loss)	Profit or loss for the current period (After tax)	Earnings per share (NTD) after tax
Heng Da Co., Ltd. (Note 1)	-	-	-	-	-	-	(184)	-
Pharmaports, LLC	USD 225 NTD 7,256	125,286	110,578	14,708	635,674	2,797	1,768	—
CCSB Holding Co., Ltd.	USD 600 NTD 19,350	10,020	81	9,939	0	(564)	(652)	(1.09)
Suzhou CCSB Trading Co., Ltd.	USD 500 NT$D 16,125	7,143	81	7,062	0	(205)	(513)	—

Note 1: Heng Da Co., Ltd. was dissolved on August 9, 2016, as of the date of publication is still in the liquidation process.

2. Consolidated business report, financial statements and affiliation reports of all affiliated enterprises:

STATEMENT

For the year of 2016 (January 1 to December 31, 2016), affiliated businesses of this Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by the International Financial Reporting Standards No. 10 (IFRS 10). All information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated businesses were therefore not generated separately.

As hereby declared

Company Name: Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairman: Wang, Hsun-Sheng

Mar 7, 2017

(II) Private placement of securities in the most recent year up to the publication date of this report: None.

(III) Holding or disposal of this company's shares by a subsidiary company in the last year, up to the publication date of this report: None.

(IV) Other items that must be included: None.

IX. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Article 36, Paragraph 3, Sub-paragraph 2 of the Securities and Exchange Act that have occurred in the most recent year, up to the printing date of this report: None.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairman: Wang, Hsun-Sheng