Stock Code :1762

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

2017 Annual Report



Annual report available on:
Market Observation Post System website, http://mops.twse.com.tw
The Company's website, http://www.ccsb.com.tw

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VI. The Company's Website: http://www.ccsb.com.tw

Table of Contents

Page

I. Report to Shareholders 1

II. Company Profile 7

III. Corporate Governance 12

1. Organization 12
2. Information Regarding Board of Directors and Key Managers 14
3. Remuneration and Compensation Paid to Board of Directors and President and Vice President in the Most Recent Year 21
4. Corporate Governance 25
5. Information on CPA Professional Fees 48
6. Information on Replacement of CPAs 48
7. The Company's Chairman, President, or Managers in Charge of Finance and Accounting Operations Hold any Positions with CCSB's Audit Firm or Affiliates in the Most Recent Year 49
8. Share Transfer and Pledge by the Company's Directors, Mangers and Shareholders with More Than 10% Shareholdings for the Most Recent Year and as of the Printing Date of this Annual Report 49
9. Related Party Relationship among the Company's 10 Largest Shareholders 50
10. Ownership of Investments Held by The Company, The Company's Directors, Managers, and Entities Directly or Indirectly Controlled by The Company ... 52

IV. Capital and Shares 53

1. Source of Capital 53
2. Issuance of Corporate Bonds 56
3. Preferred Shares 56
4. Issuance of Global Depository Receipts 56
5. Employee Stock Options 56
6. Employee Restricted Stocks 56
7. Issuance of New Shares In Connection with Mergers and Acquisitions 56
8. Financing Plans and Implementation 56

V. Operational Highlights 57
1. Business Scope 57
2. Market Highlights 65
3. Employees 71
4. Expenditures on Environmental Protection 72
5. Labor Relations 72
6. Major Contracts 79
VI. Financial Standing 80
1. Five-year Consolidated Financial Information 80
2. Five-year Financial Analysis 84
3. Audit Committee's Review Report 87
4. Financial Statements Consolidated Subsidiaries Audited by CPA in the Most Recent Year 88
5. Parent Company Only Financial statements Audited by CPA in the Most Recent Year 88
6. Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties 88
VII. Review of Financial Status, Business Performance, and Risk Management Issues 88
1. Financial Status 88
2. Financial Performance 89
3. Cashflow 90
4. Material Capital Expenditures in the Most Recent Year and Impacts on Business Performance 90
5. The Investment Policy and Main Reasons of Profit or Loss in the Most Recent Year; Improvement and Investment Plans for the Next Year 91
6. Risk Matter Items that Occurred in the Most Recent Year and as of the Printing Date of this Annual Report 91
7. Other Material Issues 94
VIII. Special Notes 95
1. Affiliated Companies 95

2. Private Placement Securities in the Most Recent Year and as of the Printing Date of this Annual Report.....98
3. Status of the Company's Shares Disposed of or Held by Subsidiaries in the Most Recent Year and as of the Printing Date of this Annual Report 98
4. Other Necessary Supplement.....98
IX. Occurrences of Events Defined under Article 36-3-2 of the Securities Exchange Act in the Most Recent Year and as of the Printing Date of this Annual Report that Significantly Impacted Shareholders' Interest or Share Price 98

I. Report to Shareholders

Dear shareholders:

The summary of CCSB's 2017 operation result is presented here to you.

I. 2017 Business Report:

(I) Implementation results of the business plan:

1. Active Pharmaceutical Ingredient (API) production:

(1) In 2017, 206 tons of APIs, 53 tons of biotech products, and 153 tons of non-biotech products have been produced.

(2) The number 1 selling biotech product for CCSB is Mycophenolate Mofetil. We provide excellent quality and stable supply, are the most important supplier in the U.S., and account for approximately 40% of U.S. market. It is expected that the process optimization and capacity expansion plan will be gradually completed next year to enhance the product price competitiveness and gradually increase the market share each year.

(3) The anti-rejection and anti-cancer product Everolimus is estimated by customers in the U.S. to enter the market in the next and subsequent years. The U.S. and Indian customers have begun to procure inventory and get ready for marketing. So the procurement volume has grown significantly compared to that of the previous year.

(4) Biotech product Tacrolimus has excellent quality, and its demand has gradually increased in the U.S. and Japan after reaching the market. After the batch volume increase and performance validation, we plan to continue to increase the production capacity and supply as well as expand the market development momentum. The global market share is expected to gradually increase each year.

(5) Ethyl Icosapentate, a hypolipidemic drug, has been developed by several U.S. pharmaceutical companies based on the company's API. We are currently challenging Paragraph IV of the U.S. and striving to win U.S. FDA review and approval for marketing.

(6)In 2017, CCSB received the most intensive official plant inspections from the U.S. FDA, Japan PMDA, and Taiwan TFDA during March, July, and October, respectively. All of the inspections have passed smoothly and CCSB has continued to maintain outstanding cGMP plant inspection records. In addition to the official inspections, the customers' cGMP inspections have all passed smoothly. The cGMP requirements for APIs have become increasingly stringent. The company's cGMP implementation and manufacturing specifications have been recognized and confirmed by our customers and the officials in U.S., E.U., and Japan; which will help to open up the E.U., U.S., and Japan based global markets.

2. API sales:

CCSB reported 2017 consolidated revenue of NT$1,168 million, while the target was NT$1,301 million; and the achievement rate was 89.79%. The domestic products include Pravastatin, Methocarbamol, and Guaifenesin; which yielded NT$82 million and accounted for 7.0% of the revenue. The export products were primarily based on Pravastatin, Tacrolimus, Everolimus, Methocarbamol, and Mycophenolate Mofetil; which yielded NT$1,086 million and accounted for 93.0% of the revenue.

2017 Consolidated Revenue Analysis

In NTD Thousands

Product / Sales	Biotech Products	Non-biotech Products	Total	Ratio of Turnover Accounted
Domestic sales	21,322	60,437	81,759	7.0%
Exports	985,125	101,364	1,086,489	93.0%
Total	1,006,447	161,801	1,168,248	100.0%
Ratio of Turnover Accounted	86.15%	13.85%	100.0%	—

3. Business Status Review:

The company's exports are guided by the U.S., Japan, and E.U. markets. Our product R&D is based on the customers' demands as well as the core technologies of microbial fermentation and chemical synthesis. We have cultivated the U.S. Japan, and E.U. markets for over two decades. Despite facing the price cut competitions from China and Indian suppliers, the company is still able to maintain the excellent official plant inspection records from the cGMP under the increasingly strict regulations where numerous other API plants have continued to receive warning letters. We have gained the trust from numerous large pharmaceutical companies worldwide to ensure the market advantages for our primary niche products.

Since its inception in 1964, the company has accumulated over 50 years of experiences in API process development and production. The company has also developed numerous unique products, and its business status is as follows:

(1) Immunosuppressant Mycophenolate Mofetil is a widely used anti-rejection drug for organ transplant patients. The company is focused on the production capacity primarily for the U.S. market demands. Despite the price challenges from Indian suppliers, the company's outstanding quality is recognized by its customers. The U.S. has the largest market share. After its process optimization and capacity expansion plans have been completed, the company is expected to further increase product price competitiveness and gradually increase the global market share each year.

(2) Customers in the U.S. and India use the company's anti-rejection and anti-cancer product Everolimus. The R&D of the generic drug is primary Paragraph IV based, which is expected to become successively marketed in one to two years. The Paragraph III strategy is adopted for the Japan and E.U. markets outside of the U.S. to simultaneously development the demands for formula R&D. At present, the process optimization and capacity expansion plans are ongoing and expected to fully satisfy the demand of the US, E.U., and Japan markets after completion next year.

(3) The U.S. market based muscle relaxant Methocarbamol has entered the end of its product life cycle due to price disruptions, and the demand is expected to gradually decrease due to customer plant showdowns.

(4) Shipments for the joint venture developed drug Tacrolimus SD20 and its preparation products have grown steadily to gradually account for more market share. Sales in 2017 have grown by 74%.

(5) The excellent quality hypolipidemic drug Pravastatin has continued to be recognized and endorsed by the market. It is primarily sold to Indian pharmaceutical plants to produce pharmaceuticals for sale in the U.S. market. The market price has been slightly lower than that of last year due to the strong

competition from China and India.

(6) Ethyl Icosapentate, a hypolipidemic drug, has been developed by several U.S. pharmaceutical companies based on the company's API. We are currently challenging Paragraph IV of the U.S. and striving to win the U.S. FDA review and approval before marketing. According to client estimations, the possible market listing time may be early 2020, and the stock inventory preparation time is estimated to be in 2019.

(7) The anti-fungal drug Caspofungin has been marketed by several Indian and European companies, and the new process and capacity expansions have been completed. Customers will submit applications for changes to the competent authorities starting next year, and the process may take up to 12-18 months. After official approval from all countries, shipments are expected to continue to increase.

(II) The status on consolidated budget execution:

In NTD Thousands; %

Item	Budget	Actual	Achievement rate
Revenues	1,301,066	1,168,248	89.79
Cost of revenue	894,039	760,382	85.05
Gross profit	407,027	407,866	100.21
Operating expenses	374,772	329,731	87.98
Operating Income	32,255	78,135	242.24
Income before tax	32,349	109,537	338.61

(III) Consolidated financials and profitability analysis:

1. Consolidated financials:

In NTD Thousands

Item	Amount
Revenues	1,168,248
Gross profit	407,866
Operating income	78,135
Interest income	227
Interest expenses	8,351
Capitalized interest expense	-
Income before tax	109,537
Net Income	85,891
Earnings per share	NT$ 1.11

2. Consolidated profitability analysis:

Unit: %

Item	Ratio
Return on Asset	3.00
Return on equity	4.78
Ratio of pre-tax net income to paid-in capital	14.12
Net profit margin	7.35
Earnings per share	NT$ 1.11
Retrospective adjusted earnings per share	NT$ 1.11

(IV) R&D progress:

1. Synthesis Research Institute:
   (1) Completing new process development and validation for Caspofungin, an active pharmaceutical ingredient for antifungal drug, to reduce cost and increase product competitiveness;
   (2) Developing process of Sacubitril Sodium, an active pharmaceutical ingredient for heart failure new drug;
   (3) Developing process of Ixazomib Citrate, an active pharmaceutical ingredient for multiple myeloma new drug;
   (4) Completing new process of Mycophenolate Mofetil, an active pharmaceutical ingredient for immunosuppressive drug, to significantly reduce cost and increase product competitiveness.

2. Biotech Research Institute:
   (1) Completing scale-up for Teduglutide, a peptide drug substance, and achieving a purity of higher than 97%. The process has obtained a patent in Taiwan;
   (2) Completing scale-up for Edoxaban, an active pharmaceutical ingredient for oral anticoagulant with a purity of higher than 99.5%. The process has obtained patent approval in Taiwan and the U.S.;
   (3) Completing scale-up for Tacrolimus, an active pharmaceutical ingredient for immunosuppressive drug, to significantly reduce cost.

II. Summary of business plan in 2018:

(I) Operating principles and important production and marketing policies:

1. Developing international market and new customers
   (1) Increase the production capacity of immunosuppressive agents and process optimization, reduce production costs, increase the competitiveness of Paragraph II and Paragraph III products, master the opportunities for governments encouraged generic drug the developments, reduce the medical expenditures, and actively capture the generic drug markets in advanced countries such as Japan and Europe.
   (2) Continued to strengthen the development of the American generic drug market and actively develop new Paragraph IV customers, enter the Paragraph II and Paragraph III markets in Japan and Europe via well-established agencies.
   (3) Everolimus' customers have already obtained tentative approval from the FDA. After all of the patent infringement related disputes (e.g., a court of first instance makes a judgment that the generic name of the pharmaceutical factory does not infringe any rights), data ownership, or market exclusive rights have been resolved; the final approval would be issued to the generic drug pharmaceutical factory to market the drug in the U.S. market. Everolimus is anticipated to move from the R&D phase into the marketing phase. The existing orders placed by the

customers before marketing as well as inventory preparation for batch manufacturing by new customers is anticipated to boost revenue for 2018.

(4) Strengthen the sales of niche products such as Pravastatin, Rapamycin, and Tacrolimus or anti-fungal product Caspofungin.

2. Domestic & foreign OEM business and technology development contracts

(1) Increase CDMO/CMO revenue, increase the production rate of existing production lines, and upgrade the technical levels.

(2) Actively seek additional processing (OEM) work opportunities from international drug companies as well as domestic and foreign biotech drug development companies, gradually upgrade the relevant technologies, and prepare to participate in the new drug R&D with international pharmaceutical companies in the future.

3. Product Development Strategies

(1) Potential new product topics and R&D

- Enhance the R&D, purification, analytical method, and mass production technology for peptide APIs and enter the small molecule protein drug market.
- Enhance the equipment used to increase the production rate for the independent high-product production areas, develop high-active drug technology platforms, and provide new APIs that challenge Paragraph IV.
- Develop customer-oriented and core technology-based products to reduce customer development costs. Actively form Paragraph IV product development partnerships with internationally known pharmaceutical companies (especially with Indian pharmaceutical companies that are actively deployed in the U.S. market).

(2) Optimize the current product process, reduce the manufacturing costs, and increase the product competitiveness and market share in the global generic drug market.

4. Maintain the International Competitiveness and Advantages of the API Industry

(1) Strengthen and realize the cGMP execution.

(2) Pass inspections by domestic and foreign customers as well as the official cGMP plant inspections of the export country.

(3) Strengthen the corporate image as well as increase the trust and satisfaction of customers at home and abroad.

(II) Sales Volume Forecast for 2018:

Our sales forecast for 2018 is based on the marketing layout, the internationalization of biotechnology products, and the sales forecast plan to actively develop the CDMO/CMO revenue growth.

Unit: Kilogram

Product / Sales	Biotech Products	Non-biotech Products	Total
Sales	51,476	122,103	173,579

III. The development strategies in the future:

(I) Continuing to invest in R&D and strengthening our core capabilities of chemical synthesis, microbial fermentation and semi-synthesis, to differentiate CCSB from competitors in the Paragraph IV market. Meanwhile, to secure market share for niche products like Everolimus, Mycophenolate Mofetil, Rapamycin, Tacrolimus, Pravastatin. Meanwhile, continuously optimizing process, increasing productivity and reducing cost to enhance global market share in off-patent generic drug market;

(II) Developing unique techniques and active pharmaceutical ingredient for specialty drugs, such as anti-cancer or high-potency products with higher gross profit, to support new

client development and differentiation;

(III) Developing CDMO to explore potential business opportunities of participating new drug development of big pharma in domestic and outside Taiwan;

(IV) Ensuring CCSB to conform to all regulatory compliance and latest cGMP requirements. Meanwhile, strengthening site inspection of raw material suppliers to ensure they conform regulatory compliance and sufficient supply;

(V) Developing solvent-recycling technologies to meet increasingly strict environmental protection requirements, continuously introducing various management systems and mechanisms to decrease waste and discharge and reduce cost, and meanwhile fulfilling social obligation of being eco-friendly.

IV. Impacts from the External Competition, Legal Environment, and Overall Business Environment:

In 2017, profits for Taiwan’s API industry suffered due to the impact of foreign exchange losses from the weak U.S. dollar. Led by the U.S. tax cuts, the global economy (including the major markets such as Europe and Japan) is anticipated to enjoy simultaneous and steady expansion in 2018. However, the U.S. dollar is not as strong as expected. If the trend of strong New Taiwan Dollars continue, it would cause the currency exchange loss pressure to Taiwan's API industry.

In 2016, the output value of the generic drug market was US$228.8 billion, which is expected to reach US$384 billion in 2021 and continue to grow at a compound annual growth rate (CAGR) of 9%. Drug price pressures, patent expiration generic drug competitions, new product R&D delays, etc., will bring pressure to the pharmaceutical market growth. However, the aging global population structure will boost medical expenses and become the driving force for the growth of the pharmaceutical market.

About 40% of the world's pharmaceutical raw materials come from China. After the 19th National Congress, the environmental issues surfaced, and Jin-Ping Xi personally stated that he must hold those who caused the ecological damages accountable and pursue "eternal accountability." The coastal pharmaceutical API plants have complied with the policy to suspend production or have relocated, which affected the supply stability of the suppliers and resulted in shortages and price increase pressures.

Despite the rapid improvement in the quality and quantity of the API pharmaceutical manufacturing plants in China and India, the market is faced with low-price competition. However, as the U.S. and the European Union's pharmaceutical regulatory agencies have become increasingly rigorous in their inspections and cGMP requirements, the quality requirements of APIs have also reached a new milestone. The improvement of the pharmaceutical quality threshold also provides an opportunity for CCSB with strong cGMP foundation. We will strive to enhance our competitiveness, deepen the R&D technologies, develop new products with market potential, and achieve breakthroughs and grow steadily despite the fiercely competitive domestic and foreign market environments.

We wish you all shareholders good health and success!

Chairman Hsun-Sheng Wang

II. Company Profile

I. CCSB was founded on May 19, 1964.

II. Company history:

(I) Mergers and acquisitions of banks, direct investment or reorganization of affiliates in the latest year to the date this report was printed: none.

(II) Large equity transfer or replacement by the Chairman or major shareholders holding over 10% of the company shares during the most recent year and as of the printing date of this annual report: none.

(III) Major changes in operating rights, operating methods, or operating contents during the most recent year and as of the printing date of this annual report as well as other important matters that may affect the shareholders' equity and the company: none.

(IV) The significant impacts to the company's development due the historical information:

CCSB was founded by National Assembly Representative Mr. Ming-Ning Wang in 1964, which primarily focused on the production of the antibiotics based western medicine APIs and intermediates as well as the manufacturing and sales of chemical raw materials. The company has actively promoted product exports since 1997, and has completed construction for cGMP biotech, cBPM synthetic API, and other relevant pioneering plants. The company has successively passed the plant inspections by the U.S. FDA and German drug certification units; and received numerous pharmaceutical inspection approvals from the E.U., U.S., and India. Its products have met international standards, and a number of products have been successfully exported to Europe and the U.S. The company's development history is described as follows:

1963	•Preparing and building a plant in Shulin City of Taipei County with the capital of NT$10 million, which was divided into 100 thousand shares with NT$10 per share.
1965	•Plant expansion and equipment increase, increased the number of products to 10, and purchased the Shanjia plant site.
1979	•Entered into technical cooperation with the Japan Far East Fatty Acid Co., Ltd. to build a new plant; and added equipment for the production and sales of reinforced corrugated boards, cardboards, and cardboard boxes.
1990	•The company has completed its research institute named "Shulin Research Center."
1997	•Undertaken the capital increase of NT$255 million in October, with NT$700 million as the amount of paid-in capital after the capital increase. •The analgesic Acetaminphen passed the FDA plant inspection in October. •New cGMP API Shulin Plant groundbreaking ceremony on November 12.
1999	•December trial run completion after the January groundbreaking for the new cGMP biotech API plant. •The new cGMP API plant completed mass production of Glyburideglp, Methocarbamol, and Guaifenesin. •Invested in the establishment of Pharmaports, LLC. in the U.S. •December: Undertaken the capital increase of NT$220 million with NT$920 million as the amount of paid-in capital after the capital increase.
2002	•April: The cGMP plant passed the U.S. FDA plant inspection, and passed the inspection by the domestic drug inspection bureau on November 22.

2003
- April: The Methocarbamol based synthesis plant passed the cGMP plant inspection by the U.S. FDA. 210 tons of the Methocarbamol were exported and sold to the U.S., which ranked No. 1 in the U.S. market.
- June: In response to the company's product production type, the company officially changed its name to "Chunghwa Chemical Synthesis & Biotech Co. Ltd."
- September: To make up for the cumulative losses and improve the financial structure, the company has undertaken the capital reduction of NTD518 million and the capital replenishment of NT$250 million. After the reduction and replenishment, the capital amount is NT$652 million.
- December: The Pravastatin product process passed the original manufacturer SANKYO's inspection in Japan, verified to have no process infringement, and the product officially entered the Japanese market.

2004
- The R&D for biotech Tacrolimus immunosuppressive agent product was successful, and pilot industry trial production was completed.
- The immunosuppressant Rapamycin passed plant inspection by the U.S. customers and began shipment.
- Thirty-ton fermentation tanks have been installed and commissioned.

2005
- The quality and delivery deadline for the new immunosuppression product Rapamycin were confirmed by the U.S. customers, and the company was able to provide a stable supply for human trials.
- The production of Fosinopril intermediate ZP-3 commissioned by the European Swiss pharmaceutical company was extended to ZP-7.
- Thirty tons of yeast batch tanks were installed, completed the trial runs, and put into mass production.
- December: Passed the Pravastatin based biotech plant full cGMP plant inspection by the U.S. FDA.

2006
- The quality and delivery of Tacrolimus, a new product for immunosuppression, was confirmed by U.S. customers.
- Pravastatin, a hypolipidemic drug, successfully entered the U.S. market.
- The muscle relaxant Methocarbamol sold 269 tons and made a new turnover record.
- The production of Fosinopril intermediate ZP-3 breakthrough process commissioned by the European Swiss pharmaceutical company was extended to ZP-7.
- To strengthen the integration of R&D resources for biotech and non-biotech products as well as accelerate the pace of R&D, the company appointed Dr. Dai-Rui from the U.S. as the President's special assistant to take charge of the research center.

2007
- The biotech plant invested into the production of 30-ton tanks as dedicated fermenters for immunosuppressive products Rapamycin, Tacrolimus, and Mycophenolate Mofetil.
- Immunosuppressant Mycophenolate Mofetil completed the validation batch.
- Developed OEM products, and completed the trial productions for Olopatadine and Perindopril.

2008
- Completed the laboratory process R&D for Everolimus, Temsirolimus, and

Zotarolimus (downstream Rapamycin series products). Develop second-generation immunosuppressant drug products.

- Jointly completed the Tacrolimus SD upstream and downstream R&D integration with CCPC. The two parties simultaneously conducted the BE test and applied for ANDA.
- The immunosuppressant Mycophenolate Mofetil completed the validation batch, passed cGMP plant inspection by three U.S. pharmaceutical companies, and became a key supplier for the North American market.

2009
- February: Passed the cGMP plant inspection by the German drug certification unit.
- August: Increased the amount of capital by NT$50 million in order to strengthen the financial structure, and the capital amount reached NT$702 million after the capital increase.
- Jointly developed Tacrolimus SD and its formulation products with CCPC, and the BE test has been completed by a well-known pharmaceutical company in the United States and passed the ANDA application.
- December: Listed as an emerging stock company by the Taipei Exchange.

2010
- December 16: Replenished NT$73.6 million in capital, and the capital amount was NT$775.6 million after replenishment.
- December 20: The stock was traded in the stock market.

2011
- January: Obtained the U.S. Bayer Mose production patent.
- April: 3 products passed the U.S. FDA official plant inspection: Mycophenolate Mofetil, Dexbrompheniramine Maleate, and Tacrolimus.
- Began to supply the immunosuppressant products Tacrolimus & Sirolimus to the Japanese market.
- Fungins product entered the European market.

2012
- March: Obtained the Taiwanese patent for improving the synthetic methods of Tacrolimus and its analogues, the synthesis of Biolimus A9 analogues, and their stability improvement method.
- April: Purchased land in Guanyin Township, Taoyuan County, to expand the production base.
- April: Added a new analysis institute with President special assistance Dr. Hong-Yuan Chen serving as the director.
- April: Successfully completed R&D for new product Everolimus.
- April: Successfully completed R&D for new product Ethyl Icosapentate.
- May: Pravastatin passed the second German official cGMP plant inspection.
- September: Obtained the U.S. patent for the preparation process of Temsirolimus.
- October: Obtained the Taiwanese patent for the preparation of nitrogen-containing heterocyclic hexapeptides for high conversion rate caspofungin.

2013
- January: Obtained a Taiwanese patent for the preparation of MPA Sodium.
- March: Completed the U.S. FDA API drug master file (DMF) registration.
- May: OLO & Rapa passed the Taiwan TFDA plant inspection.
- June: Tacrolimus passed the Japanese PMDA plant inspection.

- July: Singed the R&D contract with China Jinan Wuhuan Pharmaceutical Technology Company and China Suzhou Pengxu Pharmaceutical Technology Co., Ltd., respectively, to establish strategic alliances.
- August: Tacrolimus passed the South Korea official plant inspection.
- August: Everolimus Pre-Mix completed the U.S. FDA API drug master file (DMF) registration.
- September: Metaxalone completed the U.S. FDA API drug master file (DMF) registration.
- October: Everolimus & Caspofungin passed the Taiwan TFDA plant inspection certification.
- November: Caspofungin completed the U.S. FDA API drug master file (DMF) registration.

2014
- March: The Board of Directors passed a resolution to promote the special assistant of President Dr. Hong-Yuan Chen as the Vice President of the R&D Department.
- May: The biotech plant and the synthesis plant passed the official plant inspection by the U.S. FDA.
- June: Obtained the U.S. patent for the preparation method of Ridaforolimus.
- July: Obtained the Taiwanese patent for the preparation method of Ridaforolimus.

2015
- January: Sold part of the land in Taoyuan Science Park.
- March: Pravastatin Sodium and Tacrolimus passed the German official inspection.
- March: Passed the Taiwan TFDA plant inspection.
- May: Original President Dr. Xiang-Han Zhang retired, and Dr. Chih-Ping Yang took over as the President.
- May: Passed the Mexico official plant inspection.

2016
- March: The Board of Director passed the resolution for Dr. Hong-Yuan Cheng to retire from the R&D Department.
- May: Due to organizational adjustments, the original Vice President of the Business Department was transferred to the position of President of the Administrative Center. The company appointed Mr. Quan-Wen Chen as the Vice President of the Business Department.
- December: Obtained the ISO50001 certification.
- December: Won the 2016 Annual Pharmaceutical Science and Technology R&D Award from the Ministry of Health and Welfare with Mycophenolate Mofetil and Everolimus as the award-winning products.

2017

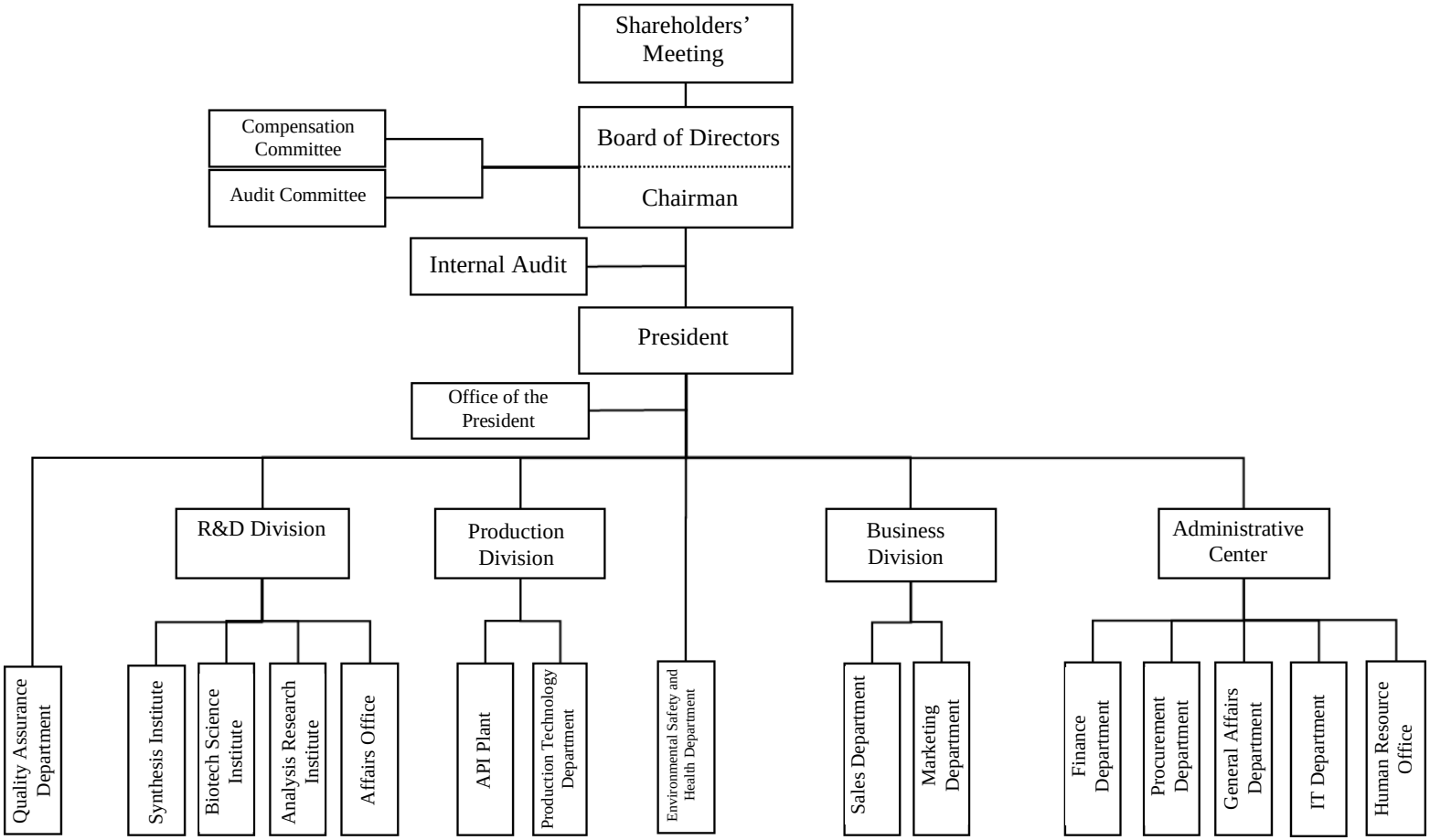
- February: Obtained the Taiwanese patent for anticoagulant drug Edoxaban API's "Diamine Derivative Production Method."
- March: Passed the U.S. FDA plant inspection.
- July: Passed the Japanese PMDA plant inspection.
- July: Obtained the Taiwanese patent for the treatment of short bowel syndrome and the production method of Teduglutide.
- September: Obtained the Taiwanese patent for the innovative production method of lxazomib citrate for the treatment of multiple myeloma.
- October: Passed the Taiwan TFDA plant inspection.
- November: Obtained the U.S. patent for anticoagulant drug Edoxaban API's "Diamine Derivative Production Method."

III. Corporate Governance

1. Organization:

(I) Organization chart:

CCSB Organization Chart



(II) The responsibilities of divisions:

Name of Department	Main responsibilities
Office of the President	Manage the company's business development, document management, and other relevant operations.
Internal Audit	Responsible for the inspection and evaluation of internal control systems, determine whether the internal audit system and internal control self-assessment procedures are sound, perform audits and supervise follow-up improvements for all departments, and issue analysis evaluations and recommendations.
Finance	Responsible for cashier, fund planning, accounting, taxation, financial statements, budget reviews, shareholder service, credit control, as well as AR collection.
General Affairs	Manage the affairs for the entire plant, safeguard the company seals, and procurement of production parts and consumables.
Procurement	1. Responsible for the raw material procurement strategy planning and implementation of R&D. 2. Responsible for searching for new materials and intermediates.
IT	Responsible for the company's computerized operations as well as system analysis and management.
Human Resource	Responsible for recruiting appointments, compensation and benefits, performance appraisal, training and development, and other human resources related businesses.
Sales	1. Responsible for the development of domestic and foreign customers and product sales, promotion and provision of customer post-sales defective products replacement, and other related issues. 2. Responsible for the introduction of new product planning, market research and analysis, as well as pricing and distribution.
Marketing	Responsible for global market information gathering and analysis as well as new product development screening.
Environmental Safety and Health	1. Wastewater, air pollution, waste handling, and other relevant operations. 2. Handling of the environmental safety and health related matters.
API Plant	Responsible for the production of chemical APIs, chemical products, and fermented raw materials.
Production Technology	Responsible for coordinating the manufacturing process R&D related businesses.
Synthesis Institute	Chemical synthesis product development and improvement, support the production unit to improve the production process and reduce costs, and formulate the production SOP.
Biotech Science Institute	Biotech product development and improvement, support the production unit to improve the production process and reduce costs, and formulate the production SOP.
Analysis Research Institute	Responsible for the analysis of R&D, and the transfer of analytical methods to the quality control unit.
Affairs Office	Responsible for coordinating research on the process related project operations.
Quality Assurance	Quality assurance, control, and validation, etc., related GMP related plant inspections, drug license applications, and other regulatory operations.

2. Information Regarding Board of Directors and Key Managers

(I) Director:

1. Director's Information:

April 2, 2018 Unit: shares

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
Chairman	Republic of China	Hsun-Sheng Wang	Male	2016.05.31	3 years	1994.05.28	2,854,230	3.68%	2,854,230	3.68%	117,787	0.15%	0	0%	Master of Business Administration, Yale University, U.S.A. Chairman of China Chemical & Pharmaceutical Co., Ltd.	The Company: Chairman Other companies: Note 2	Director	Hsun-Hui Wang	Brothers
Director	Republic of China	Hsun-Hui Wang	Male	2016.05.31	3 years	1988.10.29	1,864,768	2.40%	1,864,768	2.40%	77,787	0.10%	0	0%	Graduated from the U.S. New York State Art University Chairman of Suzhou Chung-Hwa Chemical Pharmaceutical Industrial Co., Ltd.	The Company: none Other companies: Note 3	Chairman	Hsun-Sheng Wang	Brothers
Director	Republic of China	China Chemical & Pharmaceutical Co., Ltd.	-	2016.05.31	3 years	1998.05.12	17,331,064	22.35%	17,331,064	22.35%	0	0%	0	0%	-	The Company: none Other companies: Note 4	None	None	None
	Republic of China	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun	Male	2016.05.31	3 years	2010.06.08	0	0%	6,636	0.01%	0	0%	0	0%	Graduated from the Department of Labor Relations, China Culture University Vice President of China Chemical & Pharmaceutical Co., Ltd.	The Company: none Other companies: Note 5	None	None	None
Director	Republic of China	Wang Ming-Ning Memorial Foundation	-	2016.05.31	3 years	2016.05.31	1,691,982	2.18%	1,691,982	2.18%	0	0%	0	0%	-	The Company: none Other companies: Note 6	None	None	None
	Republic of China	Wang Ming-Ning Memorial Foundation representative: Chung-Hsin Huang (Note 1)	Male	2016.05.31	3 years	2018.04.01	0	0%	69,411	0.09%	0	0%	0	0%	Chemical Engineering Department of Chung Yuan University President of China Shaoguan Pharmaceutical President of CCSB Biotech Business Department Vice President of CCSB Biotech Administrative Center	The Companys: Note 7 Other companies: Note 8	None	None	None
Independent Director	Republic of China	Kuo-Chiang Wang	Male	2016.05.31	3 years	2010.06.08	0	0%	0	0%	0	0%	0	0%	Master's Degree from the NCTU Executive Masters of Business Administration Acting President of Dafeng Cable Co., Ltd. President of Taiwan Digital Broadband Cable TV Co., Ltd. Assistant Professor of National Taipei University of Technology	The Company: none Other companies: Note 9	None	None	None

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
Independent Director	Republic of China	Cheng-Hsien Tsai	Male	2016.05.31	3 years	2012.06.20	0	0%	0	0%	0	0%	0	0%	University of Minnesota, Department of Chemicals and Materials Science Doctoral Degree Chairman of BIONET Corp. CEO of GGA Corp. 2003~2005 Asian Cord Blood Bank Alliance/Chair (Asia Pacific Cord Blood Bank Consortium，APCBBC) 2012~2013 Regional Vice President of International Society for Cellular Therapy (ISCT)	The Company: none Other companies: Note 10	None	None	None
Independent Director	Republic of China	Chih-Hsien Chang	Female	2016.05.31	3 years	2016.05.31	0	0%	0	0%	0	0%	0	0%	Master of Statistics, Stanford University, U.S.A. Special assistant to the hosting architect of Partners Architects Planners Vice President of Chia Hsin Asset Management Development Co., Ltd. (subsidiary of Chia Hsin Cement Corporation) Vice President of Robeco Investment Management Group Asia Investment Management Center (Hong Kong) Greater China Marketing	The Company: none Other companies: Note 11	None	None	None

Note 1: The representative for Wang Ming-Ning Memorial Foundation was changed to Mr. Chong-Xin Huang on April 1, 2018; the original representative Mr. Chih-Ping Yang was dismissed.

Note 2: Chairman of China Chemical & Pharmaceutical Co., Ltd.; TAIRUNG; Chunghwa Yuming Healthcare Co., Ltd.; Chunghwa Senior Care Co., Ltd.; Hu-Yu Co., Ltd.; and Sino-Japan Chemical Co., Ltd. Director of Suzhou Chung-Hwa Chemical Pharmaceutical Industrial Co., Ltd.

Note 3: Chairman of Suzhou Chung-Hwa Chemical Pharmaceutical Industrial Co., Ltd. Executive Director of Suzhou Chung-Hwa Yumin Pharmaceutical Co., Ltd. Director of China Chemical & Pharmaceutical Co., Ltd., TAIRUNG, Cook Dingmao International Co., Ltd., and Chunghwa Holding Co., Ltd. Supervisor of Sino-Japan Chemical Co., Ltd.

Note 4: Director of TAIRUNG; Chunghwa Yuming Healthcare Co., Ltd.; Chunghwa Senior Care Co., Ltd.; Sino-Japan Chemical Co., Ltd.; and Chung-Hwa Health Biotech Co., Ltd. Supervisor of Chunghwa Yuming Healthcare Co., Ltd. and Chunghwa Senior Care Co., Ltd.

Note 5: Director of TAIRUNG; Chunghwa Yuming Healthcare Co., Ltd.; Suzhou Chung-Hwa Chemical Pharmaceutical Industrial Co., Ltd.; and Chunghwa Senior Care Co., Ltd. Supervisor of Chung-Hwa Health Biotech Co., Ltd. President of Chunghwa Yuming Healthcare Co., Ltd. Vice President of China Chemical & Pharmaceutical Co., Ltd.

Note 6: Director of China Chemical & Pharmaceutical Co., Ltd.

Note 7: The former President of the company, Mr. Chih-Ping Yang, was dismissed on 04-01-2018. The position was temporarily held by President Mr. Chong-Xin Huang, and the official appointment date is waiting to be approved by the Board of Directors.

Note 8: Chairman of PHARMAPORTS, LLC (CCSB legal representative) and executive director of Suzhou Chunghwa Biotech Trading Co., Ltd.

Note 9: Responsible person of Lianjie Management Consultation Co., Ltd. Independent director, convener of audit committee, and member of remuneration committee for SolidWizard Technology Co., Ltd. Independent director, remuneration committee convenor, and M&A special committee member of Feedback Tech. Corp. Independent director, remuneration committee convener, and audit committee member of Partner Technology Co., Ltd.

Note 10: Charmian of BIONET Corp., CROWN STAR ALLIANCE LIMITED, and STAR FORD (SAMOA) LIMITED. Director and CEO of GGA. Corporate director representative of Babybanks. Independent director and member of the remuneration committee for Les enphants Co., Ltd. and Lien Chang Electronic Enterprise Co., Ltd.

Note 11: CEO of Pioneer Thank Tank Co., Ltd.; special assistant to the hosting architect of Partners Architects Planners; and supervisor of ADLINK Technology.

2. List of directors who are also legal person shareholder representatives with the shareholding ratio of exceeding 10% or rank as top ten among the shareholders:

(1) Corporate shareholders' main shareholders:

April 2, 2018

Name of corporate shareholder	Corporate shareholders' main shareholders	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	Synmosa Biopharma Corporation	8.92%
	Hsun-Sheng Wang	4.93%
	Hsun-Hui Wang	4.62%
	Fubon Life Insurance Co. Ltd.	4.36%
	Wang Ming-Ning Memorial Foundation	3.50%
	Special Account for Investment of the Central Bank of Norway in custody of Citibank	2.40%
	Majiade Enterprises Co., Ltd.	1.79%
	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	1.69%
	Kuan Enterprise Limited	1.35%
	Dimension emerging market estimate fund investor account management commissioned to CitiBank (Taiwan)	1.25%
Wang Ming-Ning Memorial Foundation	—	—

(2) The main shareholders if the main shareholders of the corporate shareholders are the corporation:

April 2, 2018

Name of corporate shareholder	Corporate shareholders' main shareholders	Shareholding percentage
Synmosa Biopharma Corporation	Yu Chiao Co., Ltd.	7.92%
	Zhi-Hui Lin	4.77%
	Qunhe Investment Co., Ltd.	2.97%
	Si-Yao Liao	2.42%
	Xianyi Co., Ltd.	2.05%
	Su-Han Wu	1.85%
	Ying-Xiu Liao	1.82%
	Wan-Zi Liao	1.42%
	U-Liang pharmaceutical Co., Ltd.	1.31%
	Wan-Ru Liao	1.23%
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co., Ltd.	100.00%
Wang Ming-Ning Memorial Foundation	—	—
Special Account for Investment of the Central Bank of Norway in custody of Citibank	—	—
Majiade Enterprises Co., Ltd.	Yi-Zhen Xie Wang	61.41%
	Hsun-Sheng Wang	31.03%
	Hou-Zhu Wang	3.51%
	Hou-Kai Wang	3.51%
	Zheng-Zhi Hong Xie	0.54%

Name of corporate shareholder	Corporate shareholders' main shareholders	Shareholding percentage
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	China Chemical & Pharmaceutical Co., Ltd.	22.35%
	Fubon Financial Holding Co., Ltd.	3.87%
	Hsun-Sheng Wang	3.68%
	Hsun-Hui Wang	2.40%
	Wang Ming-Ning Memorial Foundation	2.18%
	Mei-Xia Zhuang	1.38%
	Xun-Wei Wang	1.29%
	Gui-Mei Ling	1.28%
	Xun-Yu Wang	1.07%
	KaNan Vocational High School	0.93%
Kuan Enterprise Limited	Jun-Ping Guan	100.00%
Dimension emerging market estimate fund investor account management commissioned to CitiBank (Taiwan)	—	—

Note: Source of information came from the Annual Shareholders Meeting Report disclosed in the Market Observation Post System and the Ministry of Economic Affairs Business Division Websites.

3. Professional qualifications and independence analysis of directors: April 2, 2018

Name \ Qualification	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies
	Commercial, legal, financial, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Director Hsun-Sheng Wang	—	—	ˇ	—	—	—	—	—	—	—	—	ˇ	ˇ	None
Director Xun-Hui Wang	—	—	ˇ	—	—	—	—	—	—	—	—	ˇ	ˇ	None
China Chemical & Pharmaceutical Co., Ltd. representative: Director Yin-Nan Sun	—	—	ˇ	—	—	ˇ	ˇ	—	—	—	ˇ	ˇ	—	None
Wang Ming-Ning Memorial Foundation representative: Chung-Hsin Huang (Note 2)	—	—	ˇ	—	—	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	—	None
Independent Director Kuo-Chiang Wang	—	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	3
Independent Director Cheng-Hsien Tsai	—	—	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	2
Independent Director Chih-Hsien Chang	—	—	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	None

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

(1) Not employed by the company or any of its affiliated companies.
(2) Not a director or supervisor of the company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company or its subsidiary established according to this law or the local regulations).
(3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
(7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein. Except the members of the Remuneration Committee performing their duties pursuant to Article 7 of the Regulation Governing the Establishment of Remuneration Committee and the Performance of Authority of Companies trading their stocks in TWSE/GTSM".
(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
(9) Does not meet any descriptions stated in Article 30 of the Company Act.
(10) Not elected as a government or corporate representative according to Article 27 of The Company Act.

Note 2: The representative for Wang Ming-Ning Memorial Foundation was changed to Mr. Chong-Xin Huang on April 1, 2018; the original representative Mr. Chih-Ping Yang was dismissed.

(II) Information of the Key Managers

April 2, 2018 Unit: shares

Title	Nationality	Name	Gender	Date elected	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
President	Republic of China	Chih-Ping Yang (Discharged on 2018.4.1)	Male	2015.05.11	0	0.00%	0	0%	0	0%	Ph.D. in Organic Chemistry, University of Texas at Austin President of Chugai Pharma Taiwan Ltd.	None	None	None	None
President	Republic of China	Chung-Hsin Huang (Note 1)	Male	2018.04.01	69,411	0.09%	0	0%	0	0%	Chemical Engineering Department of Chung Yuan University President of China Shaoguan Pharmaceutical President of CCSB Biotech Business Department Vice President of CCSB Biotech Administrative Center	PHARMAPORTS,LLC (CCSB legal representative) Chairman Executive director of Suzhou Chunghwa Biotech Trading Co., Ltd.	None	None	None
Engineering Division Vice President	Republic of China	Ji-Feng Cai (Discharged on 2017.4.25)	Male	1999.07.01	27,000	0.03%	0	0%	0	0%	National Taipei University of Technology, Chemical Engineering Department Deputy Director of SCI Pharmtech, Inc. Director of United Overseas Chemical Co., Ltd.	None	None	None	None
Business Division Vice President	Republic of China	Quan-Wen Chen	Male	2016.06.01	0	0.00%	0	0%	0	0%	Taipei Medical University, Department of Medical Technology Director of marketing for Chugai Pharma Taiwan Ltd.	None	None	None	None
R&D Department Vice President	Republic of China	Qing-Peng Wei	Male	2017.08.14	0	0.00%	0	0%	0	0%	National Tsing Hua University, Department of Chemistry Vice President of Formosa Laboratories, Inc.	None	None	None	None
Administration Center Vice President	Republic of China	Shi-Qin Zhang	Male	2017.08.21	0	0.00%	0	0%	0	0%	University of Tennessee, EMBA Master Elementis plc. Asia Region Finance	None	None	None	None
Internal Audit Managers	Republic of China	Chao-Sheng Hong	Male	1998.12.31	26,330	0.03%	0	0%	0	0%	Master form the Department of business Administration, Chung Yuan Christian University Qingyun Electric Information Manager	None	None	None	None
Finance Manager	Republic of China	Xhi-Hong Lee (Discharged on 2017.4.27)	Male	2003.10.01	21,834	0.03%	0	0%	0	0%	Feng Chia University, Taxation System Assistant manager of the Finance Department, China Chemical & Pharmaceutical Co., Ltd. Audit Office Senior Specialist, China Chemical & Pharmaceutical Co., Ltd.	None	None	None	None
IT Manager	Republic of China	Xhong-He Chen (Discharged on 2017.2.16)	Male	2005.04.01	0	0%	0	0%	0	0%	LungHwa University of Science and Technology, Department of Mechanical Engineering Information officer of China Chemical & Pharmaceutical Co., Ltd.	None	None	None	None
Director	Republic of China	Guo-Xian Zeng (Note 2)	Male	1987.07.01	2,051	0.00%	0	0%	0	0%	Department of Chemical Engineering, National Cheng Kung University Deputy Director for CCSB	None	None	None	None
Manager of Synthesis Institute	Republic of China	Guang-Zong Lee (Note 2)	Male	1997.07.01	21,000	0.03%	0	0%	0	0%	Master from Department of Chemistry, National Tsing Hua University Director of Biotechnology and Synthesis Research Institute for CCSB	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
Manager of Biotech Science Institute	Republic of China	Jin-Cheng Mai (note 2)	Male	1990.07.01	13,000	0.02%	0	0%	0	0%	Master from Department of Chemistry, National Taiwan University Deputy Director of Biotech Biotechnology Institute for CCSB	None	None	None	None
Manager of Quality Assurance Department	Republic of China	Wen-Bing Wang (note 2)	Male	2003.03.03	19,854	0.03%	0	0%	0	0%	Ph. D. from Institute of Chemical Engineering, University of Massachusetts Quality Assurance Manager of Allied Biotech Corporation	None	None	None	None
Manager of Procurement Department	Republic of China	Zheng-Hong Chen (Discharged on 2017.10.03)	Male	2010.08.01	16,000	0.02%	0	0%	0	0%	Department of Pharmacy, Kaohsiung Medical University Academic Pharmacist of Standard Chem & Pharm CO., LTD.	None	None	None	None
Manager of General Affair	Republic of China	Yi-Hui Song(note 2)	Male	2010.08.01	3,034	0.00%	0	0%	0	0%	Department of Chemical and Materials Engineering, Southern Taiwan University of Science and Technology Vice President of CCSB	None	None	None	None
Manager of Human Resource Office	Republic of China	Jing-Yi Peng (Discharged on 2018.2.1)	Female	2016.01.11	0	0.00%	0	0%	0	0%	Business Department, the University of Melbourne Learning Development Project Leader of Qualcomm Taiwan Corporation	None	None	None	None
IT Manager	Republic of China	Jun-Ming Chen(note 2)	Male	2017.02.13	0	0.00%	0	0%	0	0%	Master of Department of Information Management, Yuan Ze University Director of Information Department for PPC	None	None	None	None
Manager of Environmental Safety and Health Department	Republic of China	Xiang-Hong Ceng (note 2)	Male	2017.03.30	0	0.00%	0	0%	0	0%	Master of Institute of Environmental Engineering and Management, National Taipei University of Technology Special Assistant for Tung Kai Technology Engineering Co., Ltd.	None	None	None	None
Finance Manager,	Republic of China	Shu-I Yu	Female	2017.05.22	0	0.00%	0	0%	0	0%	Master of Department of Economics, National Tsing Hua University Finance manager of Hong Kong Taikoo Motor Co., Ltd.	Supervisor of Suzhou Chunghwa Biotech Trading Co., Ltd.	None	None	None
Accounting Supervisor	Republic of China	Hsiu-Fen Lin	Female	2017.05.22	4,330	0.01%	0	0%	0	0%	Department of International Business Administration, Chinese Culture University Accountant for Taiwan Foreign Industry Co., Ltd.	None	None	None	None
Manager of Procurement Department	Republic of China	Yao-Long Xu (note 2)	Male	2017.11.16	9,394	0.01%	0	0%	0	0%	Department of Chemical Engineering, Chung Yuan Christian University Biotech Specialist of CCSB	None	None	None	None
Manager of Human Resource Office	Republic of China	Jun-Jie Liao (note 2)	Male	2018.02.21	0	0.00%	0	0%	0	0%	Department of Business Administration, Chung Yuan Christian University Manager of GigaMedia Limited	None	None	None	None

Note 1: Mr. Chong-Xin Huang was the former Vice President of the administrative center who retired on June 17, 2017. In addition, he assumed the position of the provisional President from April 1, 2018, and the official appointment date is subject to the approval of the Board of Directors.

Note 2: In response to the management needs, the company has adjusted the internal manager list on April 30, 2018 and only the supervisors at the associate manager level or higher such as Presidents or Vice President or the finance, accounting, and audit supervisors are included into the list. Such manager will no longer be included in the company's internal manager list starting April 30, 2018.

3. Remuneration and Compensation paid to Board of Directors and Key Managers in the Most Recent Year

(1) Remuneration and Compensation paid to Board of Directors and Key Managers in the Most Recent Year

1. Remuneration to Board of Directors

In NTD Thousands, December 31, 2017

Title	Name	Directors' Compensation								The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Compensation Earned by a Director Who is an employee of CCSB or CCSB's Consolidated Entities								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (%)		Compensation Received from Non-consolidated Affiliate
		Base Compensation (A) (Note 2)		Pension (B)		Compensation to Directors (C)		Allowance (D) (Note 1)				Base Compensation, Bonuses and Allowances (E) (Note 2)		Pension (F)		Employee's Profit Sharing Bonus (G)						
		From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB		From All Consolidated Entities		From CCSB	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	Hsun-Sheng Wang	4,644	4,644	0	0	1,103	1,103	860	860	7.70	7.70	11,856	11,856	0	0	719	0	719	0	22.37	22.37	0
Director	Hsun-Hui Wang																					
Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Yin-Nan Sun																					
Director	Wang Ming-Ning Memorial Foundation representative: Chih-Ping Yang																					
Independent Director	Kuo-Chiang Wang																					
Independent Director	Cheng-Hsien Tsai																					
Independent Director	Chih-Hsien Chang																					
*In addition to those disclosed in the table above, the amount of remuneration for the services (such as non-employee consultants, etc.) provided to all of the companies by the company directors in the financial report for the last year: None.																						

Note 1: Include the transportation vehicle lease amount of NT$800,000.

Note 2: Include the transportation vehicle lease amount of NT$1,077,000. In addition, the relevant salaries paid to the chauffeurs of NT$1,018,000 are not listed as remuneration.

Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	The total of the aforementioned 4 items (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Bank	All companies contained in the financial report	The Bank	All companies contained in the financial report
<NTD2,000,000	Xun-Hui Wang, China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun, Cheng-Hsien Tsai, Kuo-Chiang Wang, Chih-Hsien Chang	Xun-Hui Wang, China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun, Cheng-Hsien Tsai, Kuo-Chiang Wang, Chih-Hsien Chang	Xun-Hui Wang, China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun, Cheng-Hsien Tsai, Kuo-Chiang Wang, Chih-Hsien Chang	Xun-Hui Wang, China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun, Cheng-Hsien Tsai, Kuo-Chiang Wang, Chih-Hsien Chang
NT$2,000,000 ~ NT$5,000,000	Hsun-Sheng Wang	Hsun-Sheng Wang	Hsun-Sheng Wang	Hsun-Sheng Wang
NT$5,000,000 ~ NT$10,000,000	None	None	None	None
NT$10,000,000 ~ NT$15,000,000	Wang Ming-Ning Memorial Foundation representative: Chih-Ping Yang	Wang Ming-Ning Memorial Foundation representative: Chih-Ping Yang	Wang Ming-Ning Memorial Foundation representative: Chih-Ping Yang	Wang Ming-Ning Memorial Foundation representative: Chih-Ping Yang
NT$15,000,000 ~ NT$30,000,000	None	None	None	None
NT$30,000,000 ~ NT$50,000,000	None	None	None	None
NT$50,000,000 ~ NT$100,000,000	None	None	None	None
> NT$100,000,000	None	None	None	None
Total	7 persons	7 persons	7 persons	7 persons

2. Compensation Paid to the President and Vice President

In NTD Thousands, December 31, 2017

Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and allowances (C) (Note 2)		Employees' Profit Sharing Bonus (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Compensation Received from Non-consolidated Affiliate
		From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB		From All Consolidated Entities		From CCSB	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Chih-Ping Yang	16,704	16,704	355	355	4,488	4,488	1,544	0	1,544	0	26.92	26.92	0
Vice President of the Engineering Department	Ji-Feng Cai (Discharged on 2017.4.25)													
Vice President of the Administrative Center	Chung-Hsin Huang (Discharged on 2017.6.17)													
Vice President of Business Department	Quan-Wen Chen													
Vice President of R&D Department	Qing-Peng Wei (Newly appointed 2017.08.14)													
Vice President of the Administrative Center	Shi-Qin Zhang (Newly appointed 2017.08.21)													

Note 1: The amount of retirement pension allocated in 2017.

Note 2: Include the transportation vehicle lease amount of NT$1,552,000. In addition, the relevant salaries paid to the chauffeurs of NT$1,018,000 are not listed as remuneration.

Table of salaries scale

Range of Compensation	Names of the Presidents and the Vice Presidents	
	From CCSB	From All Consolidated Entities
<NT$2,000,000	Ji-Feng Cai, Chung-Hsin Huang, Qing-Peng Wei, Shi-Qin Zhang	Ji-Feng Cai, Chung-Hsin Huang, Qing-Peng Wei, Shi-Qin Zhang
NT$2,000,000 ~ NT$5,000,000	Quan-Wen Chen	Quan-Wen Chen
NT$5,000,000 ~ NT$10,000,000	None	None
NT$10,000,000 ~ NT$15,000,000	Chih-Ping Yang	Chih-Ping Yang
NT$15,000,000 ~ NT$30,000,000	None	None
NT$30,000,000 ~ NT$50,000,000	None	None
NT$50,000,000 ~ NT$100,000,000	None	None
> NT$100,000,000	None	None
Total	6 persons	6 persons

(II) Name of the managers received remuneration and the distribution of remuneration:

December 31, 2017; In NTD Thousands

	Title	Name	Stock	Cash	Total	% of after-tax net profit
Manager	President	Chih-Ping Yang (Discharged on 2018.4.1)	0	2,648	2,648	3.09%
	Vice President of Business Department	Quan-Wen Chen				
	Vice President of R&D Department	Qing-Peng Wei (Newly appointed 2017.08.14)				
	Vice President of the Administrative Center	Shi-Qin Zhang (Newly appointed 2017.08.21)				
	Internal Audit Manager	Chao-Sheng Hong				
	Manager	Guo-Xian Zeng (Note 1)				
	Manager of Synthesis Institute	Guang-Zong Lee (Note 1)				
	Manager of Biotech Science Institute	Jin-Cheng Mai (Note 1)				
	Manager of Quality Assurance Department	Wen-Bing Wang (Note 1)				
	Manager of General Affairs Deptartment	Yi-Hui Song (Note 1)				
	IT Manager	Jun-Ming Chen(Note 1)				
	Manager of Environmental Safety and Health Department	Xiang-Hong Ceng (Note 1)				
	Finance Manager	Shu-I Yu (Newly appointed 2017.05.22)				
	Accounting Supervisor	Hsiu-Fen Lin (Newly appointed 2017.05.22)				
	Manager of Procurement Department	Yao-Long Xu (Note 1)				
	Deputy Manager of Analysis Institute	Bing-Shu Chen (Note 1)				
	Deputy Manager of Production Technology	Yan-Shi Dong (Note 1)				
	Affairs Office	Ting-Hui Lee (Note 1)				

Note 1: In response to the management needs, the company has adjusted the internal manger list on April 30, 2018 and only the supervisors at the associate manager level or higher such as Presidents or Vice President or the finance, accounting, and audit supervisors are included into the list. Such manager will no longer be included in the company's internal manager list starting April 30, 2018.

(III) Respectively compare and specify the analysis results for the ratios of the net incomes for all of the company's total compensation paid to the company directors, Presidents, and Vice Presidents in the last 2 years as listed in the individual or separate financial reports; and specify the relevance between the payment remuneration policies, standards and combinations, remuneration setting procedures, operating performances, and future risks:

1. Ratio analysis for the last two years

Year / Item	2016				2017			
	Total Compensation (In NTD Thousands)		% of After-tax Net Profit		Total Compensation (In NTD Thousands)		% of After-tax Net Profit	
	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities	From CCSB	From All Consolidated Entities
Director								
Presidents and Vice Presidents	28,317	28,317	46.97	46.97	29,698	29,698	34.63	34.63

Description: According to the 2017 Company and Consolidated Statement; the aftert-tax profit ratio accounted for by the total compensation paid to the directors, Presidents, and Vice Presidents have decreased compared to those of 2016. It was mainly due to the transportation vehicle lease for the directors, Presidents, and Vice Presidents as well as the comprehensive reelection of the directors, establishment of an audit committee to replace the custodian system, and addition of an independent director by the 2016 shareholders' meeting. Starting in May, the directors started to serve the functions as Board of Directors and functional committee members to adjust the fixed remuneration of directors, which caused the remunerations to the directors, Presidents, and Vice Presidents for 2017 to increase compared to those of 2016. However, the post-tax net profit for 2017 has increased, so the company and consolidated statement indicated that the post-tax profit ratio accounted for by the total remunerations paid to the directors, Presidents, and Vice Presidents has decreased compared to that of 2016.

2. The company's policies, standards, and portfolios for remuneration; procedures for setting remuneration; and business performance and future risks:

The remuneration of the directors by the company is in accordance of Article 32 of the Articles of Association. If the company has made profits for the year, it shall allocate no more than 3% of the profits for the directors' remunerations. The company shall also provide reasonable compensation according to the company's operating results, level of company operation involvement, and the contribution value. Remuneration for the Presidents and Vice Presidents shall include salary, bonuses, and employee compensation according to their job position and the responsibilities undertaken; and shall be set according to peer industry levels. In addition, the remuneration methods and payment standards for the directors and managers shall undergo annual regular review and recommendation by the compensation committee, and submit to the Board of Directors for discussion and resolution.

4. Corporate Governance:

(I) Board of Directors Operational Status:

The Board of Directors held 7 meetings in 2017 (A), and the director attendance status is as follows:

Title	Name	Attendance in Person B	By Proxy	Attendance rate in Person (%) (B/A)	Notes
Chairman	Hsun-Sheng Wang	7	0	100%	
Director	Hsun-Hui Wang	5	2	71%	
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun	7	0	100%	
Director	Wang Ming-Ning Memorial Foundation representative: Chih-Ping Yang	7	0	100%	
Independent Director	Cheng-Hsien Tsai	5	2	71%	
Independent Director	Kuo-Chiang Wang	7	0	100%	
Independent Director	Chih-Hsien Chang	7	0	100%	

Other remarks:

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

(I) On issues stated in Article 14-3 of the Securities and Exchange Act:

Meeting Date	Details of the relevant agendas and the subsequent
2017.03.07 (6th Meeting of the 20th Board of Directors)	1. Partial amendments to the "Regulations Governing the Acquisition or Disposal of Assets".
	2. Finance, Accounting Supervisor, and deputy spokesperson changes.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution without objection.
2017.05.10 (7th Meeting of the 20th Board of Directors)	1. Guanyin land procurement case.
	2. Taoyuan Industrial Park land sales case.
	3. Financial, accounting director, and acting spokesperson case.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution without objection.
2017.07.18 (9th Meeting of the 20th Board of Directors)	1. Guanyin land procurement case.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution without

	objection.
2017.11.13 (11^{th} Meeting of the 20^{th} Board of Directors)	1. Revision of the "Organizational Rules of the Audit Committee" and "Administrative Management of the Audit Committee" internal control system and internal audit implementation rules.
	2. Revision of the "Rule and Procedure of the Board of Directors" and "Management of Board Meeting Operations" internal control system and internal audit implementation rules.
	3. Disposal of the Suzhou Pengxu Pharmaceutical Technology Co., Ltd. equity case.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution without objection.

(2) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: None.

2. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:
   (1) March 07, 2017 (the 6th session of the 20th annual meeting) Board of Directors discussed the 2017 manager remuneration allocation. The Wang Ming-Ning Memorial Foundation representative, Director Chih-Ping Yang, has decided to recuse himself from discussion and voting due to conflict of interest pursuant to the company's provisions because he has served as a President of the company, and the other directors present at the meeting passed the resolution without objection.
   (2) December 26, 2017 (the 12th session of the 20th annual meeting) Board of Directors discussed the 2017 chairman and manager's year-end bonus allocation. The Chairman of the company, Hsun-Sheng Wang, and the Wang Ming-Ning Memorial Foundation representative, Director Chih-Ping Yang, have decided to recuse themselves from the discussion and voting due to conflict of interest pursuant to the company's provisions because they have served as Presidents of the company, and the other directors present at the meeting passed the case without objection.
3. Assessment of the objectives and implementation status in the area of strengthening the powers of the Board of Directors (such as setting of an audit committee and improvement of information transparency, etc.) for the current and most recent years:
   (1) To improve information transparency, the company has published its Corporate Social Responsibility Report every December since December 2014.
   (2) Since the 20th annual Board of Directors meeting, the company has increased the number of independent directors to three, established an audit committee to replace the supervisor, and revised the nomination system for full director candidate elections.
4. The attendance status of independent directors during the Board of Directors meetings in 2017. ○: Personal attendance; #: Delegation attendance; ∗: Absent

2017	First	Second time	Third time	Fourth time	Fifth time	Sixth time	Seventh time
Kuo-Chiang Wang	○	○	○	○	○	○	○
Cheng-Hsien Tsai	○	#	○	○	○	○	#
Chih-Hsien Chang	○	○	○	○	○	○	○

(II) The operation of the Audit Committee:

The Audit Committee held 5 meetings in 2017 (A). The attendance of the independent directors is shown below:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A) (Note)	Remarks
Independent Director	Kuo-Chiang Wang	5	0	100%	
Independent Director	Cheng-Hsien Tsai	4	1	80%	
Independent Director	Chih-Hsien Chang	5	0	100%	

Other remarks:

1. For the operation of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the resolution of the Audit Committee, and the process of the opinions proposed by the Audit Committee:

(1) On issues stated in Article 14-5 of the Securities and Exchange Act:

Meeting Date	Details of the relevant agendas and the subsequent
2017.03.07 (6th Meeting of the 20th Board of Directors)	1. 2016 business report and financial statements.
	2. Amendments to the "Regulations Governing the Acquisition or Disposal of Assets".
	3. Financial, accounting director, and acting spokesperson changes.
	The resolution reached by the Audit Committee (March 7, 2017): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2017.05.10 (7th Meeting of the 20th Board of Directors)	1. Guanyin land procurement case.
	2. Taoyuan Industrial Park land sales case.
	3. Financial, accounting director, and acting spokesperson case.
	The resolution reached by the Audit Committee (May 10, 2017): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2017.07.18 (9th Meeting of the 20th Board of Directors)	1. Guanyin land procurement case.
	The resolution reached by the Audit Committee (July 18, 2017): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2017.08.09 (10th Meeting of the 20th Board of Directors)	1. 2017 second quarter consolidated financial report.
	The resolution reached by the Audit Committee (August 9, 2017): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2017.11.13 (11th Meeting of the 20th Board of Directors)	1. Revision of the "Organizational Rules of the Audit Committee" and "Administrative Management of the Audit Committee" internal control system and internal audit implementation rules.
	2. Revision of the "Rule and Procedure of the Board of Directors" and "Management of Board Meeting Operations" internal control system and internal audit implementation rules.

	3. Disposal of the Suzhou Pengxu Pharmaceutical Technology Co., Ltd. equity case.
	The resolution reached by the Audit Committee (November 13, 2017): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.

(2) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: none.

2. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: none.

3. Performance of communications by and between independent directors, internal audit head and Certified Public Accountant(s) (should include the Company's financial, business operation affairs, issued, methods and outcomes of communications among them).

(1) Communication between Independent Directors and internal audit officers:

The company has established an audit committee to replace the supervisor system on May 31, 2016. The audit committee comprised of all independent directors.

After the internal audit supervisor submits the audit report and follow-up report to the chairman of the Board of Directors, the report is delivered to the independent directors every month for review via email. The internal audit supervisor also regularly communicates with the audit committee (i.e. independent directors) regarding the results of the audit report, and formulates an internal audit report for each quarterly meeting. They will also report to the Audit Committee immediately during special circumstances. The communications with the company's audit committee and the internal audit supervisor went well.

(2) Communication between Independent Directors and CPA:

The independent directors have met with the accountants at least once a year. During the meeting, the accountants would audit and review the financial statement presented, communicate on other matters required by the relevant laws and regulations, and the independent directors and accountants can comprehensively communicate in person.

(3) Status of communications between the independent directors and the head of internal audit during the most recent year:

Meeting Date	Key Communication Points	Handle the implementation results
2017.03.07 (Audit Committee)	1. Audit Operation Implementation Report 2. Submit the 2016 Internal Control System Statement	No Opinion
2017.05.10 (Audit Committee)	Audit Operation Implementation Report	No Opinion
2017.08.09 (Audit Committee)	Audit Operation Implementation Report	No Opinion
2017.11.13 (Audit Committee)	1. Audit Operation Implementation Report 2. Submit the 2018 Audit Report	No Opinion

(4) Status of communications between the independent directors and the CPA during the most recent year:

Date	Key Communication Points	Handle the implementation results
2017.03.07 (Corporate Governance Unit Communication Meeting)	The CPA clarified and communicated regarding to the audit of the 2016 Financial Report.	No Opinion

(III) Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy:

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Enforcement Status</th><th rowspan="2">Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>1. Will the Company based on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” set up and disclose the Company’s corporate governance best-practice principles?</td><td>V</td><td></td><td>The company has established the "Code of Corporate Governance Practice" pursuant to "Rules of Procedure for Shareholders' Meeting of TWSE/GTSM-Listed Companies" and disclosed the results in the Market Observation Post System and the company website.</td><td>None</td></tr>
<tr><td>2. Shareholding structure and shareholders’ equity
(1) Will the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?
(2) Will the Company possess the list of the Company’s main shareholders and the list of the ultimate controllers of the major shareholders?
(3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?
(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?</td><td>V
V
V
V</td><td></td><td>(1) The company has established a spokesperson, acting spokesperson, and stock affairs dedicated personnel to deal with the shareholder proposal related issues. If the case involved a legal question or dispute, an attorney will be retained to handle the case.
(2) The company has established a stock undertaker responsible for handling and mastering the major shareholders and ultimate controllers based on the shareholders registration provided by the stock agency, and regularly report to the directors and supervisors, managers, and major shareholders holding over 10% of company shares regarding any share related anomalies.
(3) All company affiliates operate independently. The company has established the "Affiliate Transaction Management Operation Procedure" to standardize matters involving inbound and outbound goods, property transactions, fund lending, and endorsements between company affiliates. In terms of management for subsidiaries, the internal control system has also established the "Subsidiary Supervision Method" in order to include the subsidiaries within the scope of internal audit and provide relevant control.
(4) The company has established the "Major Internal Information Processing Operations Procedures," which provided that the directors, managers, and employees should implement tasks as good managers under the principle of good faith. The directors, managers, and employees shall not disclose any major internal information to any third parties; and shall not seek or collect major unpublished company information that is not related to his/her tasks. The same shall apply to major unpublished company information that was not obtained due to the execution of job duties.</td><td>None</td></tr>
<tr><td>3. The constitution and obligations of the board of directors
(1) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?</td><td>V</td><td></td><td>(1) The company has regulated the composition diversity of the Board of Directors via the "Director Election Procedures" and the "Code of Practice for Corporate Governance." At presents, the backgrounds of the Board of Director members have spanned across the media and biotechnology fields in order to promote diversity. The composition diversity of the Board of Directors is as follows:
<table>
<tr><th>Diversified core projects / Name of director</th><th>Gender</th><th>Business Management</th><th>Leadership Strategy</th><th>Industry Knowledge</th><th>Financial Accounting</th><th>Marketing Management</th></tr>
<tr><td>Hsun-Sheng Wang</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Hsun-Hui Wang</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Yin-Nan Sun</td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td>V</td></tr>
<tr><td>Chung-Hsin Huang</td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td>V</td></tr>
<tr><td>Cheng-Hsien Tsai</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Kuo-Chiang Wang</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td></td></tr>
<tr><td>Chih-Hsien Chang</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>

Assessment Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? (3) Will the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year? (4) Will the Company have the independence of the public accountant evaluated regularly?	 V	V V	(2) In addition to establishing the salary compensation committee and the audit committee according to law, the relevant departments of the company are also operated in accordance with its business/work provisions and other relevant rules. The settings shall be adjusted based on the operational needs in the future. (3) The company has not yet established a Board of Directors meeting performance appraisal or assessment method, which shall be set based on the operational needs in the future. (4) The company regularly reviews the independence of the CPAs each year to check whether the CPAs may be a director, a shareholder, or a paid employee of the company; and ensure that the CPAs are not stakeholders. In addition, a CPA must avoid undertaking matters whereby the CPA is directly or indirectly a stakeholder of. The rotation of the CPAs shall also comply with the relevant regulations. The company has also issued annual reports regarding to the independence of the CPAs appointed according to the assessment items stipulated by No. 10 "Integrity, Fairness, Objectiveness, and Independence" provided by the "ROC Certified Public Accountants Code of Ethics" (Note 1) to the Audit Committee and the Board of Directors for review. The 7th session of the 1st Audit Committee and the 20th session of the 11th Board of Directors meeting have assessed and approved the independence of the CPA.	Except for the second and third items that will be formulated and established according to operational needs, there is no other major difference for the rest.
4. Have the listed companies had the corporate governance unit (full time or part time) setup or personnel designated to handle the corporate governance related matters (including but not limited to providing necessary data to directors and supervisors for business operation, lawfully handling the Board meeting and shareholders' meeting related matters, processing the company registration and change registration, and preparing the minutes of Board meeting and shareholders' meeting)?	V		The Finance Department is currently serving as the company's governance unit on a provisional basis to handle the corporate governance related matters with the main responsibilities as follows: 1. Improve the company's information transparency and compliance with relevant laws and regulations; formulate the meeting agenda prior to the Board of Directors meetings, notify the directors to attend at least 7 days prior to the meeting and provide meeting information to help the directors to understand the relevant topic contents; in case of conflict of interests, remind the relevant personnel to recuse himself/herself; and formulate and deliver the Board of Directors meeting minutes. 2. Each year, produce and submit the meeting notice, agendas, annual reports, minutes, etc., on the Board of Directors meeting related matters before the deadline; and undertake the revision registration in case of any articles of association, supervisor election, or other changes.	None
5. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		Inside the company: Establish regular labor-management meetings, employee suggestion boxes, and company website for employees to provide suggestions; and retain dedicated personnel to handle such suggestions. Outside the company: The company shall establish a spokesperson system, website, etc., and a channel of communicate for the stakeholders. The company website has established a stakeholder area and corporate social responsibility area to facilitate access and review by the stakeholders and the general public, and disclose issues of concern to the stakeholders as well as contact information for the stakeholders. The goal is to strengthen transparency, timeliness, and interactions so the company may understand the concerns of the stakeholders and respond accordingly. The company has issued corporate social responsibility reports every year as one of the key efforts to further disclose corporate social responsibility. The issues and communication methods concerned by the company's stakeholders are shown in the table (Note 2).	None
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The company has commissioned "Yuanta Securities Financial Services Company Stock Agency" as the professional stock agency to undertake the various stock related matters of the company.	None
7. Disclosure of information (1) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(1) The company has established the company website (http://www.ccsb.com.tw) and regularly updates it the latest major financial and business information such as stock information, revenue statistics, financial	None

Assessment Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			statements, and company governance for reference by the shareholders and the general public.	
(2) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		(2) In addition to disclosing the financial, business, and other major information in the Market Observation Post System; the company has also commissioned dedicated personnel to collect and disclose the company information and established a spokesperson system that is responsible for external communication.	None
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		1. Employee rights: The company has complied with the Labor Standard Act, Occupational Safety and Health Act, and other relevant regulations to protect the employees' rights as well as establish a good relationship and mutual trust with the employees. The company has also held regular labor-management conferences to facilitate two-way communication and harmonious labor relations. 2. Worker care: The company recognizes contributions from diverse talents, and has conducted a series of technical, professional, and management training courses for different category employees. The company has also promoted the various welfare measures in hopes to fully take care of its employees and enrich the employees' bodies, minds, and spirits. They include: Establish a staff welfare committee and actively promote various employee benefit plans; regularly organize and invite employees and their family members to participate in the company's sports and family events, employee tourism trips, and other activities; hold end-of-year dinner parties; and provide employee group insurance to protect the employees' interests and labor safety. 3. Investor relations: To safeguard the rights of shareholders and enable the investing public to better understand the company's operating status, the company has timely disclosed the relevant information in the Market Observation Post System pursuant to the laws, established an "Investor Relations" in the company website and regularly updated the various company stock and financial information for the investors, and communicated with the investors via the shareholders meetings, legal briefings, and spokespersons. 4. Supplier relations: The company has been dealing with major suppliers for a long time and has always maintained a good relationship. 5. The Rights of Stakeholders: The company has established a Stakeholders area in its website and created the handling window for the Investors Relations. In addition to the spokesperson and the acting spokesperson, the company has also established the Stock Handling Unit to undertake the stock related problems and suggestions from the company's shareholders and stakeholders. If a legal issue is involved, the company will employ attorneys to handle the matter and protect the interests of the stakeholders. 6. Director training status: The company has provided the relevant legal information to the directors and managers as well as the professional knowledge training course information to the relevant units on an irregular basis. The company's directors have completed the advance study hours as required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies," and the information is disclosed in the Market Observation Post System. 7. Risk management policies and risk assessment standards: The company has always adopted the preventive risk management policies. In addition to establishing strict internal control system in accordance with the law as well as conducting regular and irregular internal audits and submitting reports. The company has also adopted reasonable financial risk aversion	None

Assessment Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			measures for the exchange rates, etc., in order to reduce risks, review the financial structure at all times, and avoid excessive financial risks. 8. Customer policy implementation: The company has established the relevant departments to handle customer complaint and post-sales services, and provide the relevant services and warranties to the customers. 9. Status of director liability insurance purchased by the company: The company has purchased liability insurance for all of its directors since August 2016 in order to protect the shareholders' equity. The 2017 insurance status (including the insurance amount, coverage and, premium rates) has been submitted to the August 9, 2017 Board of Directors meeting (the 10th session of the 20th annual meeting).	

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

Corporate governance evaluation results improvement status:

Evaluation Indicator Items	Rectification
Has the company uploaded the English version of the annual report at least 7 days prior to the general shareholders meeting?	The company has started to formulate the English version of the annual report since 2017, and has uploaded the English version of the annual report to the Market Observation Post System 7 days prior to the general shareholders meeting.
Has the company synchronously uploaded the meeting notice in English 30 days prior to the general shareholders meeting?	The company has started to translate the meeting notice into English since 2017, and has uploaded them to the Market Observation Post System for review 30 days prior to the 2017 general shareholders meeting.
Has the company synchronously uploaded the English proceedings manual and supplementary meeting information 21 days prior to the general shareholders meeting?	The company has started to translate the meeting handbooks and supplemental information into English since 2017, and has uploaded them to the Market Observation Post System for review 21 days prior to the 2017 general shareholders meeting.

The corporate governance evaluation results that have not been improved as well as the top priority items and measures to be improved:

Evaluation Indicator Items	Top priority items and measures to be improved
Has the company been invited (or self-decided) to hold at least two legal briefings, and have the first and last two legal briefings of the review year been held at least 3 months apart?	The company has planned to become invited (or self-decide) to hold at least two legal briefings since 2018, and the first and last two legal briefings of the review year will be held at least 3 months apart in order to improve the investors' understanding of the company operations.

Note 1: CPA independence assessment criteria:

Assessment items	Yes	No	Remarks
Has the CPA ever served as a director, independent director, or manager of the company or its affiliates?	V		
Has the CPA ever been a shareholder of the company or its affiliates?	V		
Has the CPA ever received salary from the company or its affiliates?	V		
Has the CPA provided audit services to the company for seven consecutive years?	V		
Has the CPA verified that his/her accounting firm conforms to the relevant independence specifications.	V		
Has a colleague of the CPA working in the same accounting firm ever served as the company's supervisor, manager, or other positions within one year after discharge; which may have major impacts to audited cases?	V		

Note 2: The company's stakeholders are concerned about issues and communication methods, as shown in the table.

The interested party	Communication Channel/Format	Communication Frequency	Concerned Topics
Investors	1. Annual Shareholders Meeting 2. Company website and Market Observation Post System 3. Investor Hotline	Once a Year Irregularly, Anytime Irregularly, Anytime	Corporate Governance: Legal Compliance R&D Innovation Business Ethics and Legal Compliance
Employees	1. Labor Conference 2. Employee Welfare Committee 3. President Mailbox 4. Company Bulletin Board 5. Company Website	Four Times a Year At Least Once a Quarter Irregularly Irregularly Irregularly	Occupational Health and Hygiene Labor-management Harmony Human Rights Management Product Management Business Ethics and Legal Compliance R&D Innovation Health and Safety
Suppliers	1. Supplier Visits and Certification Audits 2. Supplier Satisfaction Survey 3. Telephone or Email Communication	Irregularly Irregularly Irregularly	Legal Compliance Risk Management Supply Chain Management Product Management
Customers	1. Customer Visits and Certification Audits 2. Corporate Website, Telephone, and Email Communication	Irregularly Irregularly	Legal Compliance Risk Management Product Management Business Ethics and Legal Compliance
Government Agencies	1. Participation in the Various Policy and Regulation Related Seminars, Forums, Advocacies, and Training Courses 2. Market Observation Post System 3. On-site Plant Audit 4. Official Document and Telephone Communications	Irregularly Released According to Regulations Irregularly Irregularly	Legal Compliance Business Ethics and Legal Compliance Risk Management Ethics and Morality Corporate Governance: Labor-management Harmony Occupational Health and Hygiene
Banks	1. Document Exchanges and Telephone Communications 2. Personal Visits 3. Company Website	Irregularly Irregularly Irregularly	Corporate Governance: Risk Management Pollution Prevention and Discharge Industrial Safety Occupational Health and Hygiene Product Management
Nearby Communities and Social Welfare Groups	1. Visit the neighborhood or township chief nearby the plant, care for the community residents, and implement the community affinity work. 2. Charitable Events	Irregularly Irregularly	Risk Management Emergency Response Mechanism Pollution Prevention and Discharge Water Resource Management Environmental Complaint Mechanism Industrial Safety Health and Safety

(IV) Composition, Duties, and Operation of the Compensation Committee:

1. Professional qualification and independence analysis of the Compensation Committee:

Identity	Qualification / Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 1)								Number of other public companies where the members are also the members of the remuneration committee of these companies.	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Cheng-Hsien Tsai	—	—	V	V	V	V	V	V	V	V	V	2	
Independent Director	Kuo-Chiang Wang	—	V	V	V	V	V	V	V	V	V	V	3	
Independent Director	Chih-Hsien Chang	—	—	V	V	V	V	V	V	V	V	V	None	

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

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

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

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

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

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

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

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

2. Compensation Committee Operating Status Information:

(1) The Compensation Committee of the Company is consisted of 3 persons.

(2) Current term of office: May 31, 2016 to May 30, 2019. The most recent Compensation Committee held 4 meetings in 2017(A), and the member qualifications and attendance records are as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Attendance rate (%) (B/A)	Remarks
Convener	Cheng-Hsien Tsai	4	0	100%	
Members	Kuo-Chiang Wang	4	0	100%	
Members	Chih-Hsien Chang	4	0	100%	

Other remarks:

1. Situation where the Board of Directors does not adopt or amend the salary compensation committee's recommendation: None.
2. A member has objected or showed reservations against the resolution passed by the Compensation Committee in the record: None.

(V) Social responsibility fulfillment by the company in situations such as systems and measures executed for environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health, and other social responsibility activities as well as the implementation status:

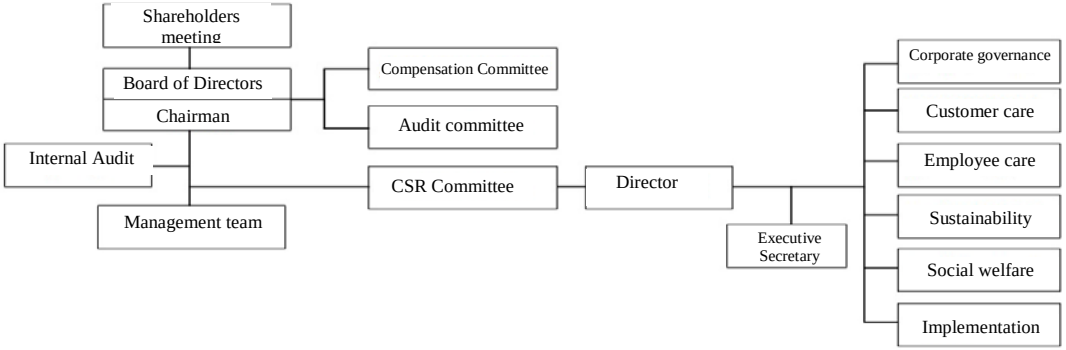
Assessment items	Enforcement Status			Discrepancy between the Corporate Social Responsibility principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
I. Implementation of sound corporate governance (1) Does the Company have the CSR policies or systems established and the implementation effect reviewed?	V		(1) The company's operating philosophy is "Honesty, Selfless, Mutual Aid, and Friendliness." The promotion of social responsibility has become part of the company's corporate culture. To implement and fulfill its corporate social responsibility, the company has referenced the 2014 "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and the relevant regulations to formulate the "Code of Practice on Corporate Social Responsibility" in order to implement corporate governance, develop sustainable environment, maintain social welfare, and enhance corporate social responsibility information disclosure. During its pursuit of sustainable management and profitability, the company has actively practiced corporate social responsibility in order to meet the international trend of balanced environmental, social, and corporate governance development. The company has also fulfilled its corporate citizenship duties by enhancing the national economic contribution and improving the quality of life for the employees, communities, and society. The Board of Directors has instructed the heads of the relevant units to promote the various activities, and the execution status and effectiveness are reported to the Board of Directors in order to ensure the implementation of corporate social responsibility policies.	None
(2) Does the Company have the CSR education and training arranged on a regular basis?	V		(2) The company has established the corporate social responsibility practice specifications, which clearly defined the corporate ethics regulations and advocacy issues for employees. Announcements are also made on an irregular basis to remind employee compliance, and the relevant educational training and advocacy classes have been organized to enable the employees to fully understand their importance and require all employees to comply in a responsible manner.	
(3) Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?	V		(3) In 2014, we established a CSR committee responsible for formulating and editing "Best Practices in Corporate Social Responsibility", discussing the related policies and implementation and compiling reports on CSR. Small teams were also founded, including corporate governance, customer care, employee care, sustainability, social welfare and implementation teams, with team members coming from different departments, such as the office of the general manager, finance and accounting, human resources, administration, sales, materials, quality assurance, manufacturing, safety and health and auditing. The supervisors of different department are responsible for the tasks of their respective teams and they report to the board of their status every year. The operations and status of CSR for 2017 had been reported in the 10th board meeting of the 20th term of board of directors.	
(4) Does the Company have a reasonable salary and remuneration policy set-up, have the employee performance evaluation system been combined with the corporate social responsibility policies and have a clear and effective reward and punishment system been established?	V		(4) 1. The company's Board of Directors comprised the Audit Committee and Compensation Committee to jointly resolve the relevant issues. Among them, the Compensation Committee consists of three independent directors. Its main responsibility is to set and regularly review the policies, systems, standards, and structure for the performance evaluation as well as the salary compensation of the directors and managers. 2. The current employees (supervisors and general workers) shall be subject to different assessment systems for year-end reviews, and each employee shall undergo performance goal setting and performance appraisal interviews in order to achieve verification and assessment. The results of the assessment are used as the basis for the promotion, salary adjustment, rewards and punishment, issuance of bonuses, and remuneration.	
			3. The bonus design is combined with the company operating performances, net profit for the current year, and employee assessment and is institutionalized. 4. The company's recruits shall receive a salary that is better than the minimum wage set by the Ministry of	None

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Enforcement Status</th><th rowspan="2">Discrepancy between the Corporate Social Responsibility principles implemented by the Company and the Principles, and the reason for the discrepancy</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>Labor in order to provide a competitive payroll system to attract outstanding talents to join the company. The employee salaries are based on the education background, position, market conditions, etc.</td><td></td></tr>
<tr><td>II. Development of a sustainable environment
(1) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?</td><td>V</td><td></td><td>(1) Energy conservation is a target of the company. The company has practiced garbage sorting, set up a Resource Recycling Unit, and continued to focus on energy conservation. It is committed to practice energy efficiently by controlling air conditioning temperature during summer, reduce paper use by printing on both sides, unplugging appliances or equipment that will not be used for a long time, recycling toner cartridges for photocopiers and printers, use environmentally friendly toners, etc., in order to achieve the garbage reduction and resource recovery targets.</td><td></td></tr>
<tr><td>(2) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</td><td>V</td><td></td><td>(2) To effectively reduce energy costs, the company has established the "Energy Management System Promotion Committee" responsible for promoting the energy-saving and carbon-reduction operations in the plants in order to improve the energy-conservation and carbon-reduction performances. The company's Shanjia plant has incorporated the Energy Management System ISO 50001 and successfully passed the BSI British Standards Association third-party external verification certificate. The control by the management system and the operations of the Energy Management System Promotion Committee can help the company to achieve the continual energy conservation and carbon reduction improvement objectives. The company has also implemented the waste cleaning and recycling operations according to the contents of the Industrial Waste Disposal Plan. Compliance with the environmental protection regulations of the competent authority for all related matters.</td><td></td></tr>
<tr><td>(3) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?</td><td>V</td><td></td><td>(3) 1. Apart from the fact that climate change may cause natural disasters and directly affect operational activities, it may also lead to indirect effects such as rising raw material prices or supply interruptions. Therefore, the company has continued to promote the relevant energy conservation and carbon reduction related operations for its plants in 2017 according to the ISO 50001 Energy Management System and the company's energy policies; actively pay attention to the energy conservation, carbon reduction, and greenhouse gas reduction related issues; and implemented greenhouse gas inventory to serve as the key indicator of energy conservation and carbon reduction.
2. The company's corporate business attaches great importance to environmental protection and cares for the earth: The company has continued to promote the energy conservation methods in 2017 according to the ISO 50001 energy management system already established, and actively executed the energy-saving plan to achieve the goal of annual electricity consumption reduction by over 1%. The actual energy reduction for 2017 was 1.67%. The company's 2017 energy conservation implementation results and 2018 energy conservation plans are as follows:
(1) 2017 Energy Conservation Plan Implementation Results:
The energy conservation measures implemented in 2017 were as follows: Reduce energy consumption by 150,796 points, and reduce the total carbon emission by 78,414 kg.:
<table>
<tr><th>Item</th><th>Energy-conservation Projects</th></tr>
<tr><td>1</td><td>Updated the public 100RT ice water cooler</td></tr>
<tr><td>2</td><td>Updated the 30HP exhaust fan for Zone 01</td></tr>
<tr><td>3</td><td>Updated the 15RT ice water machine for Zone 06</td></tr>
<tr><td>4</td><td>Added 2 environmental friendly Roots Blower</td></tr>
<tr><td>5</td><td>The institute implemented the annual major maintenance for Carrier 350T ice water machine</td></tr>
</table>
(2) 2018 energy conservation plan:
Energy-conservation target: Reduce electricity consumption by over 1%.</td><td></td></tr>
</table>

Assessment items	Enforcement Status			Discrepancy between the Corporate Social Responsibility principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			Energy conservation measures: Installed 40HP exhaust fan external frequency converter for the exhaust gas scrubber in the 05 zone, updated the water cooler 385RT cooling tower cooling material, and installed inverters to five 25HP exhaust windmills.	None
III. Enforcement of social justice				
(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		(1) 1. We established "Working Rules" in accordance with Labor Standards Act and International Bill of Human Rights, and policies on salary, vacation, promotion, awards and insurance have been clearly stated. 2. Employment diversity: Complied with the "Employment Service Act" provisions to respect employees with various differences. The salary is based on the principle of equal pay for equal work without gender, race, age, ethnicity, or religion differences. 3. Complied with the "Act of Gender Equality in Employment" to formulate the "Sexual Harassment Control Measures."	
(2) Does the Company have the complaints mechanism and channels established for employees and have it handled properly?	V		(2) The company attaches great importance to the smooth flow of the company's internal communication channels. In addition to holding various meetings that can strengthen adequate communication among the different departments, the company also encourages the employees to share the various opinions or suggestions to their direct supervisors or department heads. A "President Mailbox" is also established in the employee public space so employees can report any problems with the company's operations and current status or provide improvement suggestions. This mailbox can be used anonymously or by name, and the President shall personally handle the complaints. To promote this communication channel to all colleagues, instructions are provided in the job descriptions of newcomers so they may speak up freely at all times. In addition, employees can also file complaints via the complaint report mailbox established in the "Stakeholder Zone" of the company website. The company shall investigate and handle the matters according to the relevant regulations in order to maximize the rights and interests of the employee and the company.	
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		(3) 1. The company is committed to providing employees with safe and healthy workplaces. The offices are equipped with a central air-conditioning system, adequate lighting equipment, regular maintenance of elevator equipment, and fire-fighting facilities. 2. The Health and Safety Unit is responsible for holding regular safety education training and related classes, including fire safety, public safety facilities, and general public safety reviews. 3. Regularly organized activities such as employee travel and family day to help the employees to ease their minds and bodies. 4. Provide regular general health examinations and special operation health checks each year. 5. Provide family care leave, menstruation leave, miscarriage prevention leave, antenatal care leave, maternity leave, paternity leave, and set up breast-milk collection room.	
(4) The Company has developed the mechanism for the routine communication with the employees, and informed the employees of the changes in operation that may cause significant influence on the employees through reasonable means.	V		(4) In addition to holding employer-employee meetings every three months as a formal communication channel for coordination, negotiation and opinions, we also hold briefing sessions to notify employees of important business decisions.	
(5) Does the Company have an effective career capacity development training program established for the employees?	V		(5) The company uses the education, training, and performance assessment mechanisms to enhance the manpower quality and competitiveness of its employees; uses education and training to cultivate professional skills, knowledge, and attitudes of employees; and uses performance assessments to develop the employee potentials, enable the employees to grow together with company performances, increase company performances, and improve the quality of employees.	
(6) Does the Company have the relevant consumer protection policies and complaint procedures	V		(6) The company is a raw material pharmaceutical factory, and its customers are mainly domestic and foreign pharmaceutical companies. The company has already set up customer complaints related methods in order	

Assessment items	Enforcement Status			Discrepancy between the Corporate Social Responsibility principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
established in the sense of R&D, procurement, production, operations and service processes?			to provide effective complaint procedures to the customers as well as safeguard their rights and interests.	
(7) Does the Company have products and services marketed and labeled in accordance with the relevant regulations and international norms? (8) Does the Company have the suppliers checked in advance for any records of impacting the environment and society? (9) Does the contract signed by the Company with the major suppliers entitle the Company to have the contract cancelled or terminated at any time when the suppliers violate the CSR policies that have significant impact on the environment and society?	V V V		(7) This company is an excellent API plant and has successively passed plant inspections conducted by the cGMP API plants, cGMP biotech plants, and U.S. FDA official plants. The company's cGMP plant equipment has also been recognized by numerous manufacturers and meets international standards. (8) The company's procurement operations have assessed its suppliers according to the provisions ,and only the qualified applicants can be included in the suppliers list. In addition to requiring the suppliers to attach the latest material safety data sheet during API procurement, the materials must also be marked clearly with the relevant labels. In addition, to meet the regulatory requirements of the government to control toxic substances and avoid misuse, the company has worked closely with the suppliers to ensure that both parties have the purchase and sales licenses issued by the government before any material purchase is permitted. (9) We reserve the rights to terminate or cancel terms of contracts with suppliers who violate the policies of CSR and cause significant impacts to the environment and society. "Best Practices in Corporate Social Responsibility" should include the policies both parties should adopt. Terms of contracts may be terminated or canceled at any time if the suppliers violate the policies and the supply sources cause significant impacts to the environment and society. The company has purchased from a qualified supplier, it shall continue to work with the supplier to enhance corporate social responsibility and reduce the negative impact of the supply chain on the environment.	None
IV. Enhanced information disclosure (1) Does the Company have the relevant and reliable CSR information disclosed on the Company's website and MOPS?	V		(1) The company has formulated corporate social responsibility reports to disclose its corporate social responsibility promotional efforts, published the reports in the company website and the Market Observation Post System, and disclosed the relevant information in its public statements and shareholders meeting annual reports.	None
V. For companies who had established corporate responsibility code of conducts in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe the current practice and any deviations from the code of conduct: The company has referenced the 2014 "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and the relevant regulations to formulate the "Code of Practice on Corporate Social Responsibility" in order to implement corporate governance, develop sustainable environment, maintain social welfare, and enhance corporate social responsibility information disclosure.				
VI. Other important information that help understand the CSR operation: (1) The governance structure of our corporate social responsibility:				

Assessment items	Enforcement Status			Discrepancy between the Corporate Social Responsibility principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	



1. Description of duties of each task team:
   (1) Corporate governance

   Responsible for promoting corporate governance and providing suggestions for improvement including governance structure, code of conduct, board of directors, remuneration committee, audit committee, internal control system, risk management and continuous management.

   (2) Customer care

   Responsible for marketing communication, maintaining customer privacy, product and service labeling and health and safety of customers.

   (3) Employee care

   Responsible for building a friendly work environment, hiring, training and caring of employees and physical and mental wellbeing of foreign workers.

   (4) Sustainability

   Responsible for promoting sustainability initiatives and environmental protection measures and providing suggestions for improvement, including environmental management system, green products and processes, energy and resources management, water resources management and wastewater management, greenhouse gas inventory, inventory of other air pollutants, waste management, supplier management and violations of environmental laws.

   (5) Social welfare

   Responsible for promoting social welfare programs and providing suggestions for improvement, community participation and social welfare.

   (6) Implementation

   Responsible for the coordination of internal project teams and publication of CSR reports.

(2) Implementation status and performance of each project team for 2017

1. Corporate governance: Committed to protect shareholders' rights and obey regulations, internal control protocols and rules on disclosure of information and maintain communication with shareholders. For the implementation progress as of 2017, please refer to "Implementation Progress of Corporate Social Responsibility" of this annual report.
2. Sustainable environment: (1) The company has paid the regular air pollution prevention fees according to law and submitted online reports on time; entrusted qualified removal and processing companies to clean up the various wastes; and the total air pollution and waste disposal expenditure for 2017 was NTD37,285,000.
   (2) Each year, the company has commissioned air pollution and waste water inspection reports according to law, implemented environment protection in accordance with the relevant laws and regulations, and fulfilled its environmental protection responsibility as corporate citizen.
   (3) In order to reduce the emission of air pollutants, the fuel oil boiler was changed to natural gas since 2016, which greatly reduced the emissions of sulfur oxides and nitrogen oxides. In

Assessment items	Enforcement Status			Discrepancy between the Corporate Social Responsibility principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
	2017, the total amount of fixed emission sources was 6.135 tons, which was lower than before the natural gas was changed. Significantly reduced by 53%. (4) Actively executed the energy-saving plan to achieve the goal of annual electricity consumption reduction by over 1%. The actual energy reduction for 2017 was 1.67%, reduce energy consumption by 150,796 points, and reduce the total carbon emission by 78,414 kg.			
3. Social welfare:	(1) Adoption of local parks. Since 2007, the Company has adopted "Chang-Shu Family-Friendly Park" for 11 consecutive years. In 2017, the Company donated NTD500,000 to the park. (2) We are committed to the local community and have made donations to the local neighborhoods and charities. (3) We care about the development of talents in the biotechnology industry. Since 2015, we have continuously participated in academia-industry collaboration projects. In 2017, the research expenditure was NTD3.444 million, and the accumulated total so far has reached NTD6.194 million.			
4. Employee care:	(1) We maintain a friendly work environment in accordance with the requirements of "Labor Standards Act", "Act of Gender Equality in Employment" and "Sexual Harassment Prevention Act". (2) To enhance employees' professional and technical capabilities and improve work efficiency and product quality, the Company provides an Annual Education and Training Planning Chart. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities. (3) Promote health programs, including company softball games, family day and various leisure groups (yoga, softball, table tennis and golf) (4) To protect the health and safety of all employees, Department of Safety and Health holds safety education and training courses and exercises regularly every year. The exercises include fire fighting, public safety facilities, review of public safety and others and are reviewed by the Labor Safety and Health Committee. Employees are requested to perform their tasks in accordance with the occupational safety and health guidelines to avoid disasters. Fire safety exercise and safety education and training for 2017 were held on June 26th, 2017 and December 28th, 2017, respectively.			
5. Customer care: We again passed the official plant inspection conducted by the US FDA and Japan's PMDA in March and July of 2017, respectively. Our cGMP standards have meet the requirements of various pharmaceutical companies in the world.				
VII. If the Company’s Corporate Social Responsibility Report has passed the certification standards of the relevant certification institutions, it should be detailed: The CSR Reports of the company are prepared with reference to GRI 4.0, which are published in the company website and the Market Observation Post System.				

(VI) The Company's integrity and measures taken to ensure service integrity:

Assessment items	Enforcement Status			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary	
I. Business Integrity Policy and action plans				
(1) Does the Company have the corporate management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies?	V		(1) The company has established the "Business Operation Procedure and Behavior Integrity Guideline," which expressly stipulated that the Board of Directors and the management of the company shall actively implement the integrity management policy and ensure actual execution during internal management and external business activities. The company has published the integrity management policy on its website and annual reports to enable the suppliers, customers, or other business-related organizations and personnel to clearly understand the company's business integrity philosophy and to regulate matters that should be observed by the company's personnel when performing businesses. When signing external contracts, the company and its subsidiaries shall observe the principle of honesty and mutual benefit to negotiate reasonable contract contents, and actively fulfill the contractual commitments.	
(2) Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions and complaints system declared explicitly; also have it implemented substantively?	V		(2) The company has established the "Major Internal Information Processing Operations Procedures," "Code of Conduct for Employee Work Practices," "Code of Ethical Conduct," and "Guideline for Business Operation Procedure Integrity and Conduct" to regulate the behaviors of directors and employees. The company has also organized the relevant education and training classes in order to enable the colleagues to fully understand the importance of integrity, and clearly defined the various provisions and violation punishment rules in the aforesaid codes and regulations to ensure compliance.	None
(3) Does the company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities subject to higher risks of fraud?	V		(3) The company has established the "Major Internal Information Processing Operations Procedures," "Code of Conduct for Employee Work Practices," and "Guideline for Business Operation Procedure Integrity and Conduct" in order to guard against dishonest conducts and business activities such as bribery, accepting kickbacks, and illegal political contributions via the internal audit unit's audit mechanism.	
II. Proper enforcement of business integrity				
(1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		(1) The company has established a client evaluation mechanism, engaged in fair business activities, and fulfilled and complied with the contracts in a transparent manner in order to provide fair and reasonable results to each customer and vendor.	
(2) Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code of integrity and to report on its implementation to the Board on a regular basis?	V		(2) The President's office coordinators and finance related departments have formulated the "Guideline for Business Operation Procedure Integrity and Conduct" in order to provide comprehensive integrity operation management, which is executed by the President's office and personnel office and annual reports are submitted to the Board of Directors on a regular basis. The 2017 Integrity Management and Implementation report has been submitted to the 12th session of the 20th Board of Directors meeting. To implement business integrity management, the company has integrated the "Code of Conduct for Employee Work Practices" and "Guideline for Business Operation Procedure Integrity and Conduct" into the pre-service education training courses for new recruits as well as promoted the company's corporate culture of integrity to the new colleagues. As of December 31, 2017, a total of 33 training classes have been provided and a total of 68 people have participated. In addition, the provisions provided in the "Guideline for Business Operation Procedure Integrity and Conduct" and other codes have been placed on the company's internal network platform and company website for review by the employees at any time.	None
(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		(3) The "Rule and Procedure of the Board of Directors" formulated by the company has clearly defined the recusal principle so any Board of Directors with any conflicts of interests can recuse himself/herself from participating or voting in the meeting. The company has also clearly defined the conflicts of interests prevention policy in the "Code of Conduct for Employee Work Practices." Employees can use the employee suggestion box and the company website to reflect their opinions. The company has also established a spokesperson system externally, which is in charge of external communications.	None

Assessment items	Enforcement Status			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary	
(4) Has the Company established effective accounting systems and internal control systems to substantiate corporate management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs?	V		(4) To ensure implementation of credit management, the company has established effective accounting and internal control systems whereby the internal audit personnel would review the system implementation on a regular basis.	
(5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(5) The company has established the "Code of Conduct for Employee Work Practices" and the "Guideline for Business Operation Procedure Integrity and Conduct," provided pre-employment training for new recruits, and published the relevant methods in the company's internal document management system. The company would also advocate the business integrity related provisions before a contract is signed with an external manufacturer.	
III. The operations of the Company's Report System				
(1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	V		(1) The company has established a reporting and complaint channel in the "Procedure for Handling the Illegal, Unethical, or Dishonest Conduct Complaints" and established a dedicated unit to take charge of the relevant matters. All business integrity violation related matters shall be handled according to the relevant regulations.	None
(2) Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported?	V		(2) The company has established the "Procedure for Handling the Illegal, Unethical, or Dishonest Conduct Complaints;" established internal and external reporting channels and processing system; and clearly established the confidentiality requirements for the identity of the whistle-blowers and the contents of the complaints.	
(3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		(3) The company has established the "Procedure for Handling the Illegal, Unethical, or Dishonest Conduct Complaints" and established internal and external reporting channels and processing system. The company is also committed to protect the whistle-blowers from unreasonable treatment for filing a complaint.	
IV. Enhanced information disclosure				
(1) Has the company disclose the contents of the integrity management rules and its implementation effectiveness on its website and the Market Observation Post System?	V		(1) The company has disclosed the "Guideline for Business Operation Procedure Integrity and Conduct" and other relevant information on the company website and the Market Observation Post System.	None
V. If the company has drafted its own business integrity code in accordance with the "Code of Business Integrity for TWSE/GTSM Listed Companies," please state any differences between the actual operations and the code: The company has established the "Guideline for Business Operation Procedure Integrity and Conduct" pursuant to the "Code of Business Integrity for TWSE/GTSM Listed Companies," and implemented the revelation operations according to its operating procedures and behavioral guidelines.				
VI. Additional important information that may assist in the understanding of corporate business integrity operations: The company has fulfilled its obligations of legal compliance to the public sectors, good faith transactions to the customers and suppliers, and business integrity to the shareholders under the principle of honesty, transparency, and responsibility. The company has also prevented the directors, managers, and employees from acts that violate the business integrity so as to avoid reputation damages or legal liabilities caused by dishonest behaviors.				

(VII) Inquiry method for the Code of Corporate Governance and relevant provisions: The corporate governance related chapters are disclosed in the company website - Investor Relations (http://www.ccsb.com.tw).

(VIII) Other important information that can enhance the understanding of the corporate governance operation status:

1. 2017 Director training status:

Title	Name	Training date	Organizer	Course name	Training hours
Chairman	Hsun-Sheng Wang	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Director	Hsun-Hui Wang	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Director	Wang Ming-Ning Memorial Foundation representative: Chih-Ping Yang	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Independent Director	Kuo-Chiang Wang	2017.04.21	Securities and Futures Development Foundation	2017 Insider Trading and Corporate Social Responsibility Forum	3
		2017.07.25	Corporate Governance Association in Taiwan	Security Management under the Development of Science and Technology	3
		2017.08.04	Securities and Futures Development Foundation	Listed and Publicly Traded Company Insider Equity Trading Law Compliance and Advocation Meeting	3
		2017.09.28	Hosted by Mrs. and Mr. Yuandong Xu Memorial Cultural Foundation and Bloomberg	2017 Mr. Yuandong Xu Memorial Financial Forum	6
		2017.10.25	Corporate Governance Association in Taiwan	Fraud Risk Management Practices	3
		2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3

Title	Name	Training date	Organizer	Course name	Training hours
Independent Director	Cheng-Hsien Tsai	2017.09.28	Hosted by Mrs. and Mr. Yuandong Xu Memorial Cultural Foundation and Bloomberg	2017 Mr. Yuandong Xu Memorial Financial Forum	6
Independent Director	Chih-Hsien Chang	2017.04.07	Securities and Futures Development Foundation	2017 Insider Trading and Corporate Social Responsibility Forum	3
		2017.08.01	Securities and Futures Development Foundation	Listed and Publicly Traded Company Insider Equity Trading Law Compliance and Advocation Meeting	3
		2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3

2. 2017 Manager Training Status:

Title	Name	Training date	Organizer	Course name	Training hours
President	Chih-Ping Yang	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Business Division Vice President	Quan-Wen Chen	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Administration Center Vice President	Shi-Qin Zhang	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Finance Manager	Shu-I Yu	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3
Internal Audit Manager	Chao-Sheng Hong	2017.11.13	Corporate Governance Association in Taiwan	Under the global CSRS tax information exchange and anti-tax aversion trends, tax management practice has become an integral part of enterprise management.	3
		2017.12.26	Corporate Governance Association in Taiwan	Information Security Governance Trends and Challenges	3

(IX) Internal Control System Implementation Status:

1. Declaration of internal control:

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Declaration of Internal Control Policies

Date: March 12, 2018

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

I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.

II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. Regarding the internal control system criteria in the "Regulations," the internal control system is divided into five composing elements in accordance with the management and control process: 1. environment control, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervise operation. Each element further contains several items. Please refer to "The Governing Principles" for details.

IV. The Company has adopted the internal control system criteria in the preceding paragraph to assess the effectiveness of the internal control system design and implementation.

V. Based on the results of the previous evaluation, the company considers its internal control system (including the supervision and management of its subsidiaries) on December 31, 2017 as effective and can reasonably ensure the achievement of the goals mentioned above. They include the company's understanding of the operation effectiveness and the extent to which the efficiency goals have been achieved as well as the validity, timeliness, transparency, and relevance to the relevant laws, regulations, and rules as intended by the design and implementation of the internal system.

VI. The "Internal Control System Declaration" will be the main content of the Company' annual report and prospectus for the reference of the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities Exchange Act.

VII. This declaration was approved by the Board of Directors meeting on March 12, 2018 without objection where seven directors attended the meeting. It is hereby declared that all of the directors have agreed to the contents of the declaration.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairman: Hsun-Sheng Wang Signature and Seal

President: Chih-Ping Yang Signature and Seal

2. Internal control system review report commissioned to a CPA: None.

(X) Punishments received by the company and its internal personnel pursuant to the law and punitive actions issued by the company against its internal employees in violation of the internal control system provisions for the latest year until the publication date of this annual report, and the main deficiency correction status:

Subject Receiving Punishment	Disposal Method	Main Defects	Rectification
Company	Punitive fine of NT$50,000	Violation of Article 24 of the Labor Standards Act	Work Allowance has been incorporated into the overtime calculation as recommended by the Department of Labor
Company	Punitive fine of NT$80,000	Violation of Article 32, Paragraph 2 of the Labor Standards Act	We have increased the labor according to future demands and controlled the monthly overtime hours
Company	Punitive fine of NT$20,000	Violation of Article 24 of the Labor Standards Act	We have increased the labor according to future demands and controlled the monthly overtime hours
Company	Punitive fine of NTD100,000	Violation of the Gender Equality Act	Strictly abide by and strengthen conformance to the Gender Equality Act, and work together to create a harmonious laborer/employer and gender equality working environment.

(XI) Important Resolution of the Board of Directors as of the Publication Date of the Annual Report:

1. Important resolution of the 2017 Board of Directors meeting

Year	Date	Important Resolution Items	Resolution and Implementation Status
2017 Shareholders Meetings	2017.05.31	1. Recognized the 2016 Business Report Final Accounts. 2. Recognized the 2016 Surplus Distribution. 3. Passed the revision for parts of the company's "Acquisition or Disposal of Asset Handling Procedures"	Passed without objection. Passed the resolution for the shareholders' cash dividend of NT$38,780,000 (NT$0.5 per share), set July 30, 2017 as the dividend benchmark date, and distribution was completed on August 15, 2017. Handled according to the "Acquisition or Disposal of Asset Processing Procedures" after it has been revised and posted on the company's website.

2. Important Resolution of the Board of Directors for 2017 and as of the Publication Date of the Annual Report

Year	Date	Important Resolution Items
2017 1st Board of Directors Meeting	2017.03.07	1. Passed the 2016 Management Personnel Remuneration Discussion Case. 2. Passed the 2016 Director Remuneration Discussion Case. 3. Passed the 2016 Employee and Director Remuneration Discussion Case. 4. Passed the 2016 Business Report and Balance Sheet Draft Case. 5. Passed the 2016 Surplus Distribution Case. 6. Passed the 2017 Business Plan Case. 7. Passed the revision for parts of the company's "Acquisition or Disposal of Asset Handling Procedures" 8. Passed the Formulation of the Company's 2017 Shareholders Meeting Date, Location, Share Transfer Cessation Date Case. 9. Passed the Bank Quota Renewal Case. 10. Passed the Financial, Accounting Director, and Acting Spokesperson Change Case. 11. Passed the "2016 Internal Control System Statement" Submission Case for the Company.
2017 2nd Board of Directors Meeting	2017.05.10	1. Passed the Guanyin Land Procurement Case. ◦ 2. Passed the Taoyuan Industrial Park Land Sales Case. 3. Passed the Speaker Change Case.

Year	Date	Important Resolution Items
		4. Passed the Financial, Accounting Director, and Acting Spokesperson Case. 5. Passed the Bank Quota Loan Increase Case.
2017 3rd Board of Directors Meeting	2017.06.12	1. Passed the Internet Payment Benchmark Date and Cash Dividend Distribution Date Settings. 2. Passed the Company's Stock Agency Replacement Case. 3. Passed the Bank Quota Renewal Case. 4. Passed the Administrative Center Vice President Replacement Case.
2017 4th Board of Directors Meeting	2017.07.18	1. Passed the Administrative Center Vice President Appointment Case. 2. Passed the Guanyin Land Procurement Case.
2017 5th Board of Directors Meeting	2017.08.09	1. Passed the Bank Quota Addition, Loan Increase, and Renewal Case. 2. Passed the R&D Department Vice President Appointment Case.
2017 6th Board of Directors Meeting	2017.11.13	1. Passed the Project Decision Committee Establishment Case. 2. Passed the CPA Independence and Suitability Assessment Case. 3. Passed the Bank Quota Addition and Renewal Case. 4. Passed the "Scope of Responsibility for Independent Directors" Establishment Case for the Company. 5. Passed the 2018 Audit Plan Case. 6. Passed the "Organizational Rules of the Audit Committee" and "Administrative Management of the Audit Committee" Internal Control System and Internal Audit Implementation Rule Amendment Case. 7. Passed the "Rule and Procedure of the Board of Directors" and "Management of Board Meeting Operations" Internal Control System and Internal Audit Implementation Rule Amendment Case. 8. Passed the Suzhou Pengxu Pharmaceutical Technology Co., Ltd. Equity Disposal Case.
2017 7th Board of Directors Meeting	2017.12.26	1. Passed the Regular Review for the Director and Manager Remuneration Methods and Payment Standards. 2. Passed the 2017 Chairman and Manager Year-end Bonus Allocation Case. 3. Passed the Bank Quota Renewal and Loan Increase Case.
2018 1st Board of Directors Meeting	2018.03.12	1. Passed the 2017 Management Personnel Remuneration Discussion Case. 2. Passed the 2017 Director Remuneration Discussion Case. 3. Passed the 2017 Employee and Director Remuneration Discussion Case. 4. Passed the 2017 Business Report and Balance Sheet Draft Case. 5. Passed the 2017 Surplus Distribution Case. 6. Passed the 2018 Business Plan Case. 7. Passed the "Derivative Commodity Trading Procedures" Revision Case for the Company. 8. Passed the Formulation of the Company's 2018 Shareholders Meeting Date, Location, Share Transfer Cessation Date Case. 9. Passed the Bank Quota Renewal Case. 10. Passed the "2017 Internal Control System Statement" Submission Case. 11. Passed the Equipment Procurement Case.

(XII) In the most recent year and as of the publication of the annual report, did a director have different opinions regarding to an import resolution passed by the Board of Directors that was recorded or written down: None.

(XIII) Summary of resignation by company chairman, president, accounting supervisor, financial supervisor, internal audit supervisor, or R&D director in the most recent year and as of the publication of the annual report:

April 30, 2018

Title	Name	Date on board	Date of discharge	Reason for resignation or discharge
President	Chih-Ping Yang	2015.05.11	2018.04.01	Resignation due to Personal Career Plan
Financial Supervisor, Accounting Supervisor	Xhi-Hong Lee	2003.10.01	2017.04.27	Retirement

5. Information on CPA Professional Fees

Change of CPA

Auditor's firm	Name of CPA		Audit period	Remarks
PwC Taiwan	Shufen Yu	Shuqiong Zhang	2017.01.01-2017.12.31	—

CPA Professional Fees

In NTD Thousand

Amount bracket	Service fee items	Audit fee	Non-audit fee	Total
1	Less than 2,000	—	—	—
2	2,000 ~ 4,000	2,728	2,916	5,644
3	4,000 ~6,000	—	—	—
4	6,000 ~ 8,000	—	—	—
5	8,000 ~10,000	—	—	—
6	Above 10,000	—	—	—

(I) CPA Public Expense Information for Payment made to the CPA or the Affiliates of CPA whereby the Non-audit Public Expense Accounted for Over One Quarter of the Audit Public Expense:

IN NTD Thousands

Auditor's firm	CPA Name	Audit remuneration	Non-audit remuneration					CPA auditing period	Remarks
			Policy design	License registration	Human resource	Others (Note 2)	Subtotal		
PwC Taiwan	Shufen Yu Shuqiong Zhang	2,728	0	0	0	0	0	2017.01.01-2017.12.31	—
PwC Taiwan	—	0	0	0	0	421	421	—	Transfer Pricing Report
PricewaterhouseCoopers (PwC) Enterprise Management Consultant Co., Ltd.	—	0	0	0	2,241	0	2,241	—	—
PricewaterhouseCoopers (PwC) Tax Advisory Co., Ltd.	—	0	0	0	0	254	254	—	U.S. Transfer Pricing Report

(II) Accounting Firm Replacement whereby the Audit Fee of the Year was Reduced Compared to Audit Fee of the Previous Year: None.

(III) Audit Fee that Has Reduced by Over 15% Compared to the Previous Year: None.

6. Information on Replacement of CPAs:

As a result of the internal organizational adjustment by the CPA's firm, the company's CPAs have changed from CPAs Jun-Yao Lin and Shufen Yu to CPAs Shufen Yu and Shu-Qiong Zhang starting from the first quarter of 2016.

7. The Company's Chairman, President, or Managers in Charge of Finance and Accounting Operations Hold any Positions with CCSB's Audit Firm or Affiliates in the Most Recent Year : None.

8. Share Transfer and Pledge by the Company's Directors, Mangers and Shareholders with More Than 10% Shareholdings for the Most Recent Year and as of the Printing Date of this Annual Report:

(I) Director, Manager, and Major Shareholder Changes

Unit: shares

Title	Name	2017		As of April 2, 2018	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairman	Hsun-Sheng Wang	0	0	0	0
Director	Hsun-Hui Wang	0	0	0	0
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun	0	0	0	0
Director	Wang Ming-Ning Memorial Foundation representative: Chung-Hsin Huang (Note 1)	0	0	0	0
Independent Director	Kuo-Chiang Wang	0	0	0	0
Independent Director	Cheng-Hsien Tsai	0	0	0	0
Independent Director	Chih-Hsien Chang	0	0	0	0
Major shareholder	China Chemical & Pharmaceutical Co., Ltd.	0	0	0	0
President	Chih-Ping Yang (dismissed on April 1, 2018)	0	0	-	-
President	Chung-Hsin Huang (Note 2)	-	-	-	-
Vice President	Ji-Feng Cai (dismissed on April 25, 2017)	-	-	-	-
Vice President	Quan-Wen Chen	0	0	0	0
Vice President	Qing-Peng Wei (newly appointed August 14, 2017)	-	-	0	0
Vice President	Shi-Qin Zhang (newly appointed August 21, 2017)	-	-	0	0
Manager	Chao-Sheng Hong	0	0	0	0
Manager	Zhi-Hong Lee (dismissed on April 27, 2017)	-	-	-	-
Manager	Guo-Xian Zeng (Note 3)	0	0	0	0
Manager	Wen-Bing Wang (Note 3)	0	0	0	0
Manager	Guang-Zong Lee (Note 3)	0	0	0	0
Manager	Jin-Cheng Mai (Note 3)	0	0	0	0
Manager	Zhong-He Chen (dismissed on February 16, 2017)	-	-	-	-
Manager	Zheng-Hong Chen (dismissed on October 3, 2017)	-	-	-	-
Manager	Yi-Hui Song(Note 3)	0	0	0	0
Manager	Jun-Ming Chen(Note 3)	-	-	0	0
Manager	Xiang-Hong Ceng (Note 3)	-	-	0	0
Manager	Shu-I Yu (newly appointed on May 22, 2017)	-	-	0	0
Manager	Yao-Long Xu (Note 3)	-	-	0	0
Manager	Jun-Jie Liao (Note 3)	-	-	-	-
Deputy Manager	Hsiu-Fen Lin (newly appointed as Accounting Supervisor on May 22, 2017)	-	-	0	0
Deputy Manager	Bing-Shu Chen(Note 3)	0	0	0	0
Deputy Manager	Yan-Shi Dong (Note 3)	(3,000)	0	5,000	0
Deputy Manager	Ting-Hui Lee (Note 3)	0	0	0	0

Note 1: The representative for Wang Ming-Ning Memorial Foundation was changed to Mr. Chong-Xin Huang on April 1, 2018; the original representative Mr. Chih-Ping Yang was dismissed.

Note 2: Mr. Chong-Xin Huang was the former Vice President of the administrative center who retired on June 17, 2017. In addition, he assumed the position of the provisional President from April 1, 2018, and the official appointment date is subject to the approval of the Board of Directors.

Note 3: In response to the management needs, the company has adjusted the internal manager list on April 30, 2018 and only the supervisors at the associate manager level or higher such as general managers, vice president or the finance, accounting, and audit supervisor are included into the list. Such manager will no longer be included in the company's internal manager list starting April 30, 2018.

(II) Information on the transfer of equity interests by a director, manager, or shareholders holding over 10% of the shares to an affiliate: None.

(III) Information on the pledge of equity interests by a director, manager, or shareholders holding over 10% of the shares to an affiliate: None.

9. Related Party Relationship among the Company's 10 Largest Shareholders:

April 2, 2018

Name	Self Shares held		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Title and name of shareholders holding over 10% of the shares who are related to each other or are spouses or second degree relatives.		Remarks
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name (or name)	Relation	
China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%	—	—	—	—	Hsun-Sheng Wang Hsun-Hui Wang Wang Ming-Ning Memorial Foundation	Chairman of the Company Director of the Company Same Chairman	
China Chemical & Pharmaceutical Co., Ltd. Representative: Hsun-Sheng Wang	2,854,230	3.68%	117,787	0.15%	—	—	Hsun-Hui Wang Xun-Yu Wang Wang Ming-Ning Memorial Foundation	Brothers Brother and sister Chairman of the Foundation	
Fubon Financial Holding Co., Ltd.	3,000,000	3.87%	—	—	—	—	—	—	
Fubon Financial Holding Co., Ltd. Representative: Fu-Xing Lin	—	—	—	—	—	—	—	—	
Hsun-Sheng Wang	2,854,230	3.68%	117,787	0.15%	—	—	Hsun-Hui Wang Xun-Yu Wang China Chemical & Pharmaceutical Co., Ltd. Wang Ming-Ning Memorial Foundation	Brothers Brother and sister Chairman of the Company Chairman of the Foundation	
Hsun-Hui Wang	1,864,768	2.40%	77,787	0.10%	—	—	Hsun-Sheng Wang Xun-Yu Wang China Chemical & Pharmaceutical Co., Ltd.	Brothers Brother and sister Director of the Company	
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%	—	—	—	—	Hsun-Sheng Wang China Chemical & Pharmaceutical Co., Ltd.	Chairman of the Foundation Same Chairman	
Wang Ming-Ning Memorial Foundation Representative: Hsun-Sheng Wang	2,854,230	3.68%	117,787	0.15%	—	—	Hsun-Hui Wang Xun-Yu Wang China Chemical & Pharmaceutical Co., Ltd.	Brothers Brother and sister Chairman of the Company	
Mei-Xia Zhuang	1,067,000	1.38%	—	—	—	—	—	—	
Xun-Wei Wang	1,003,066	1.29%	—	—	—	—	—	—	
Gui-Mei Ling	990,000	1.28%	—	—	—	—	—	—	

Name	Self Shares held		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Title and name of shareholders holding over 10% of the shares who are related to each other or are spouses or second degree relatives.		Remarks
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name (or name)	Relation	
Xun-Yu Wang	833,050	1.07%	—	—	—	—	Hsun-Sheng Wang Hsun-Hui Wang	Brother and sister	
Kainan Vocational High School	723,503	0.93%	—	—	—	—	—	—	

10. Ownership of Investments Held by The Company, The Company's Directors, Managers, and Entities Directly or Indirectly Controlled by The Company:

Unit: stocks; % December 31, 2017

Reinvestment businesses (Note 1)	Invested by The Company		Directors, Managers, and the Directly or Indirectly Controlled Business Investments		Aggregate investment	
	Quantity	Shareholding percentage	Quantity	Shareholding Cases	Quantity	Shareholding percentage
Team Global Logistics Co., Ltd. (Note 2)	–	–	–	–	–	–
PHARMAPORTS, LLC	–	98.00	–	–	–	98.00
CCSB HOLDING CO.,LTD	600,000	100.00	–	–	600,000	100.00
Suzhou Chunghwa Biotech Trading Co., Ltd.	–	100.00	–	–	–	100.00

Note 1: Must be long-term investments according to the equity method adopted by the company.

Note 2: Team Global Logistics Co., Ltd. was dissolved on August 9, 2016 via shareholders' meeting resolution; completed liquidation on December 15, 2017; and obtained court settlement on January 23, 2018.

IV. Capital and Shares

I. Capital and Shares:

1. Sources of Capital:

1. Capital Share Formation Process:

In NTD; Shares April 30, 2018

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks		
		Quantity	Amount	Quantity	Amount	Source of capital	Paid in properties other than cash	Others
1991.11 (Note 1)	10	50,000,000	500,000,000	44,500,000	445,000,000	Surplus to capital increase NTD45,000,000 Cash capital increased NTD100,000,000 Total NTD145,000,000	None	—
1997.10 (Note 2)	15	80,000,000	800,000,000	70,000,000	700,000,000	Cash capital increased NTD255,000,000	None	—
1999.12 (Note 3)	10	120,000,000	1,200,000,000	92,000,000	920,000,000	Cash capital increased NTD220,000,000	None	—
2003.09 (Note 4)	10	120,000,000	1,200,000,000	40,200,000	402,000,000	Capital reduction NTD518,000,000	None	—
2003.09 (Note 4)	10	120,000,000	1,200,000,000	65,200,000	652,000,000	Cash capital increased NTD250,000,000	None	—
2009.08 (Note 5)	10	120,000,000	1,200,000,000	70,200,000	702,000,000	Cash capital increased NTD50,000,000	None	—
2011.01 (Note 6)	10	120,000,000	1,200,000,000	77,560,000	775,600,000	Cash capital increased NTD73,600,000	None	—

Note 1: Approved by letter No. (1991)TCZ(1)02602 issued by the Ministry of Finance Securities and Futures Commission on September 12, 1991.

Note 2: Approved by letter No. (1997)TCZ(1)70406 issued by the Ministry of Finance Securities and Futures Commission on September 18, 1997.

Note 3: Approved by letter No. (1999)TCZ(1)107856 issued by the Ministry of Finance Securities and Futures Commission on December 17, 1999.

Note 4: Approved by letter No. (2003)TCZ(1)136955 issued by the Ministry of Finance Securities and Futures Commission on August 15, 2003.

Note 5: Approved by letter JG1Z No. 0980023798 issued by the Executive Yuan Financial Supervisory Commission on May 21, 2009.

Note 6: Approved by letter JG1Z No. 0990059478 issued by the Executive Yuan Financial Supervisory Commission on November 1, 2010.

2. Type of Shares: April 30, 2018 Unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common shares	77,560,000	42,440,000	120,000,000	Listed stocks

(II) Shareholder Structure:

April 2, 2018 Unit: shares

Shareholders structure / Volume	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	1	0	81	17,398	29	17,509
Number of shares held	57	0	23,655,252	52,562,800	1,341,891	77,560,000
Shareholding percentage	0.00%	0.00%	30.50%	67.77%	1.73%	100.00%

(III) Status of Share Dispersion:

1. Regular Shares:

Face value per share: NTD10 per unit: share April 2, 2018

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	10,623	68,532	0.09%
1,000 to 5,000	5,300	10,914,073	14.07%
5,001 to 10,000	838	6,858,281	8.84%
10,001 to 15,000	221	2,869,842	3.70%
15,001 to 20,000	156	2,932,515	3.78%
20,001 to 30,000	125	3,287,611	4.24%
30,001 to 40,000	73	2,639,566	3.40%
40,001 to 50,000	38	1,781,190	2.30%
50,001 to 100,000	77	5,463,785	7.04%
100,001 to 200,000	33	4,434,756	5.72%
200,001 to 400,000	13	3,686,186	4.75%
400,001 to 600,000	0	0	0.00%
600,001 to 800,000	3	1,988,503	2.56%
800,001 to 1,000,000	2	1,823,050	2.35%
1,000,001 and above	7	28,812,110	37.16%
Total	17,509	77,560,000	100.00%

2. Special Shares: None.

(IV) Main shareholders list: (shareholders with the shareholding ratio of over 5% or shareholders with the top 10 shareholding ratio)

April 2, 2018 Unit: shares

Name of main shareholder \ Shareholding	Number of shares held	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%
Fubon Financial Holding Co., Ltd.	3,000,000	3.87%
Hsun-Sheng Wang	2,854,230	3.68%
Hsun-Hui Wang	1,864,768	2.40%
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%
Mei-Xia Zhuang	1,067,000	1.38%
Xun-Wei Wang	1,003,066	1.29%
Gui-Mei Ling	990,000	1.28%
Xun-Yu Wagn	833,050	1.07%
KaiNan Vocational High School	723,503	0.93%

(V) The price, net value, earnings, dividends, and other information per each share for the last two years:

In NTD; Thousand Shares

Item \ Year			2016	2017	The current year as of March 31, 2018 (Note 4)
Market price per share	Highest		43.60	29.85	27.50
	Lowest		25.05	21.70	22.55
	Average		32.67	24.85	25.53
Net worth per share	Before dividend distribution		22.83	23.48	—
	After dividend distribution		22.33	(Note 5)	—
Earnings per share	Weighted average outstanding shares (Thousand Shares)		77,560	77,560	—
	Earnings per share		0.78	1.11	—
Dividends per share	Cash dividend		0.5	(Note 5)	—
	Stock dividends	From earnings	—	—	—
		From capital reserves	—	—	—
	Retained Dividends		—	—	—
Analysis of investment returns	P/E ratio (Note 1)		41.88	22.39	—
	Price to dividends ratio (Note 2)		65.34	(Note 5)	—
	Cash dividend yield (Note 3)		0.02	(Note 5)	—

Note 1: P/E ratio = Average closing price per share for the year / earnings per share.
Note 2: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.
Note 3: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.
Note 4: As of the publication of this annual report, there is no recent financial information audited or reviewed a CPA.
Note 5: The surplus distribution plan 2017 is still awaiting resolution by the shareholders' meeting.

(VI) Company's dividend policy and execution status:

1. Dividend policy:

According to the Articles of Association of the Company, the dividend policy of the company must take the company's future capital requirements into consideration and the long-term financial planning must meet the needs of shareholders for cash inflows. If there is a surplus in the annual final accounts, tax should be paid first to make up for losses in previous years, and then 10% shall be set aside for statutory surplus reserve. If there is still surplus after setting aside the statutory surplus reserve, the surplus available for distribution shall include the accumulated undistributed earnings from the previous year. However, part of it shall be retained depending on the business conditions, and the rest shall be distributed as dividends to shareholders. The cash dividends shall not be less than 50% of the shareholders dividends, but stock dividends shall be issued instead if the cash dividend is less than NTD0.1 per share.

2. Dividend distribution proposed by this shareholders meeting:

The 2017 earnings distribution of the company has passed the Board of Directors resolution on March 12, 2018 and is still subject to resolution by the shareholders' meeting. The cash dividend of NT$0.5 per share is proposed, and the cash dividend issuance of NT$38,780,000 is anticipated.

(VII) The effects that the stock grant proposed by the shareholders' meeting have on the company's business performance and earning per share:

Not applicable because the company's 2018 shareholders meeting did not propose any stock grant.

(VIII) Remuneration to employees and directors:

According to the Articles of Association for the company, if the company has earned annual profits, it shall allocate 1% to 15% as employee remuneration and no more than 3% for director remuneration. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss.

The remunerations of the employees and directors are based on the profitability of the current year and the amount determined by the Articles of Association. They are recognized as the operating expenses for the current year. If there is a discrepancy between the actual distribution amount and the estimated amount, said discrepancy shall be treated as a change in the accounting estimates and be listed as a profit or loss for the following year.

- 2017 employee and director remuneration distribution status:

  The company's 2017 annual employee remunerations were estimated at NT$11,025,000; and the director remunerations were NT$1,103,000. The Board of Directors has passed a resolution on March 12, 2018 to allocate employee remunerations of NT$11,025,000 and the director remunerations of NT$1,103,000; which is no different than the annual costs estimated. The employee and director remunerations mentioned above are all paid in cash.

- 2016 employee and director remuneration distribution status:

  The company's 2016 annual employee remunerations were estimated at NT$10,396,000; and the director remunerations were NT$1,040,000. The Board of Directors has passed a resolution on March 7, 2017 to allocate employee remunerations of NT$10,396,000 and the director remunerations of NT$1,040,000; which is no different than the annual costs estimated.

(IX) Buy-back of the Company's shares by the company: None.

2. Issuance of Corporate Bonds: none.
3. Preferred Shares: none.
4. Issuance of Global Depository Receipts: none.
5. Employee Stock Options: none.
6. Employee Restricted Stocks: none.
7. Issuance of New Shares in Connection with Mergers and Acquisitions: none.
8. Financing Plans and Implementation: none.

V. Business performance

1. Business Scope

(I) Scope of business:

1. Core business:

   According to the Company license, the scope of business includes:

   (1) Manufacturing of Western medicine

   (2) Wholesaling of Western medicine

   (3) Non-prohibited or non-restricted businesses, in addition to the permitted businesses.

2. Proportions of overall business:

   14% chemical synthesis products

   86% biotechnology products

3. Current products:

   (1) Biotechnology products: Pravastatin (hypolipidemic drug)
   Mycophenolate Mofetil,
   Mycophenolate Mofetil HCl,
   Rapamycin(Sirolimus),
   Everolimus,
   Tacrolimus,
   Caspofungin,
   Teduglutide.

   (2) Non-biotech products: Methocarbamol (muscle relaxant)
   Metaxalone,
   Guaifenesin,
   Trandolapril,
   ZP-7,
   Fluconazole,
   Olopatadine,
   Ethyl Icosapentate,
   Omega-3 Carboxylic Acids,
   Carfilzomib.

4. New products to be developed:

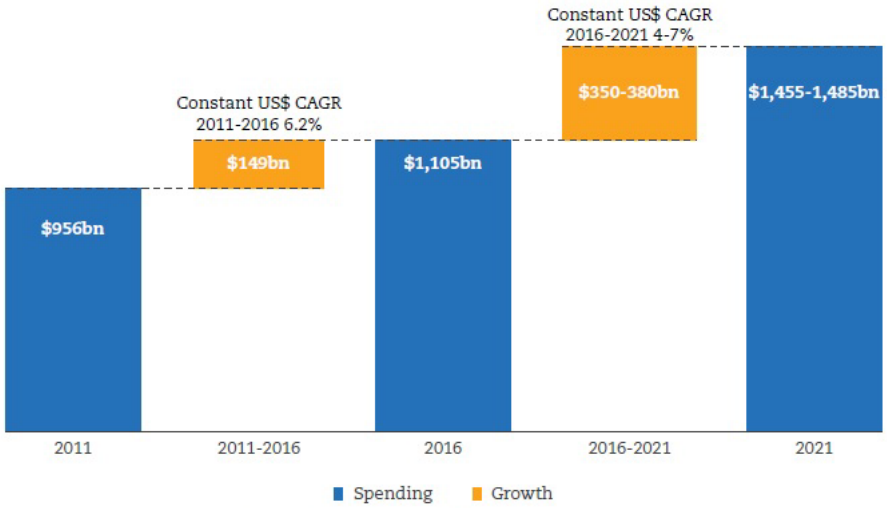
   (1) New products: The Company's core business is to supply high-quality new materials needed by generic drug companies throughout the world. With our core advantages in chemical synthesis and microbial fermentation technology, the Company continues to develop new products such as immunological preparations, anticancer drugs, cardiovascular drugs, dialysis medicine and gastrointestinal drugs.

   (2) Contract manufacturing business: The Company also provides research and development and contract manufacturing (CDMO/CMO) services to new drug developers and generic drug companies at home and abroad, striving to become the provider of active pharmaceutical ingredients to those new drug developers when they successfully launch their drugs.

(II) Industry overview:

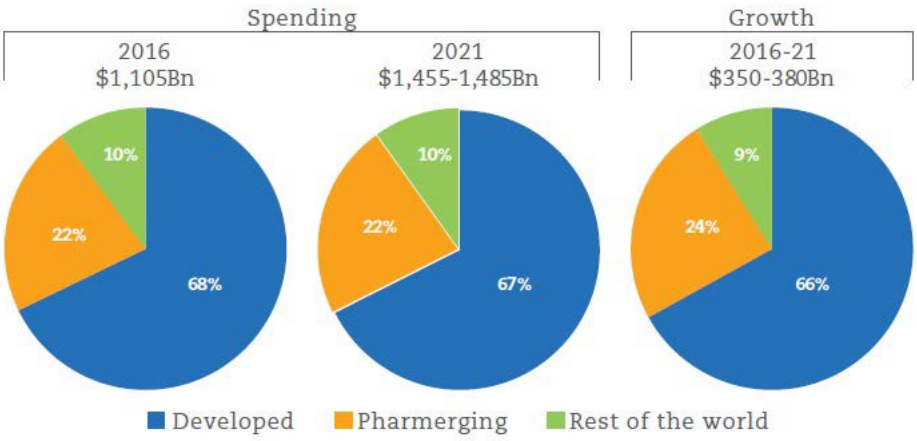
1. Status and development of the industry:

Active pharmaceutical ingredients are the components that provide medical effects, and their production technology can be divided into extraction and purification, chemical synthesis and fermentation. In general, drugs are either brand-name or generic. According to the IFPMA, the global prescription drug market in 2016 was approximately US$ 1.1 trillion, an annual growth rate of 3.3%, and the compound annual growth rate, or CAGR, between 2016-2021 would be 4-7%.



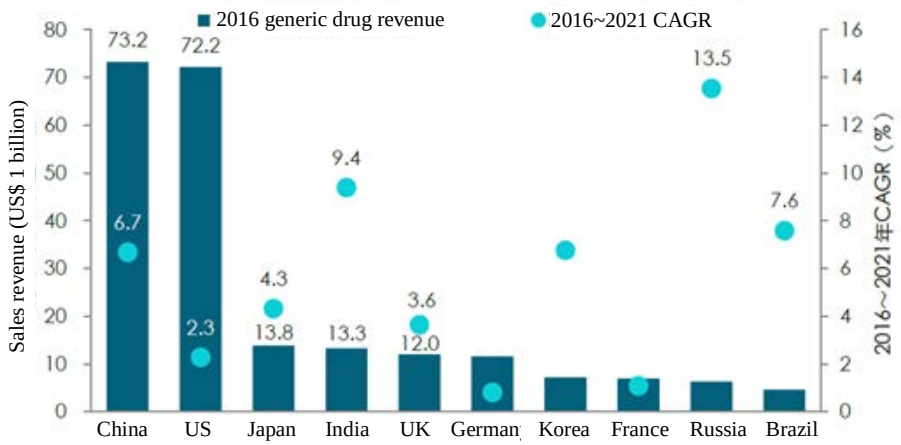
Forecast of the 2011-2021 global drug market

According to the comparison of regional market sizes, North America (the US and Canada) ranks the largest in the world. Driven by the introduction of new drugs and prices higher than those in other regions, the market has grown from the proportion of 29% in 2012 to 41.8% in 2016, with sales reaching US$ 461.7 billion and expected to hit US$ 645 to 675 billion in 2021. In 2016, the European market accounted for 13.8%, at US$ 151.8 billion, and it is expected to reach US$ 171 to 200 billion in 2021. The Asia-Pacific market has continued its rapid growth in the past 10 years, going from 26.6% in 2012 to 27.4% in 2016. It has become the third largest drug market in the world. Driven by population and economic growth, the demand for medical care continues to growth rapidly in China, India and other Southeast Asian countries such as Indonesia and Vietnam. Latin America is the fourth largest drug market, maintaining the market share of 5 to 7%. Africa and the Middle East (MENA) accounted for about 3.9%. These two markets have shown rapid growth in recent years. However, due to political, economic and exchange rate reasons, the growth of drug market is relatively unstable.



Forecast of 2016-2021 drug market, by region

According to BMI statistics, the world's top 10 drug markets in 2016 were the US, China, Japan, Germany, the UK, France, Italy, Spain and Canada, which together accounted for 74.7% of the global market (as shown in the table below). Among them, the US, China and Japan markets all exceed US$ 100 billion. The combined drug sales in these three countries accounted for more than half of the global pharmaceutical market and their potential should not be overlooked. In terms of future market growth, China and Brazil provide the most optimistic outlooks. It is estimated that the CAGR between 2016 and 2021 for these two countries are 9.6% and 7.9%, respectively. The more mature markets, such as North America, Europe and Japan, have their 2016-2021 CAGR under 5%.



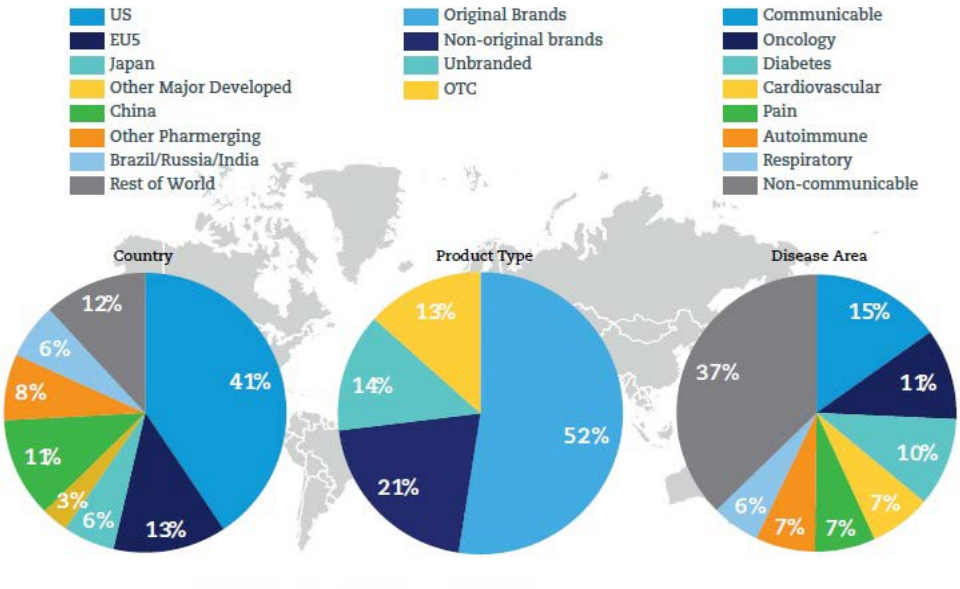
Data source: BMI (2017.06); compiled by IT and IS teams of DCB Department of Industrial Development

Scale and future growth of the global top 10 generic drug markets

Active pharmaceutical ingredients play a key role in the supply chain of the pharmaceutical industry. They are made by API manufacturers using extraction, chemical synthesis and fermentation technologies, and they provide medical effects. They become pharmaceutical intermediates by involving a few more processes. The domestic API manufacturers are mostly manufacturers dealing with fine chemicals. APIs are then further processed by downstream manufacturers and excipients are added in to produce drugs used by patients. The industrial scale of active pharmaceutical ingredients accounts for 9-12% of the overall drug industry. Currently, the global revenue of active pharmaceutical ingredients is about US$ 116-159 billion,

and it is estimated to reach US$ 195.9 billion by 2017. Between 2014 and 2019, the compound annual growth rate (CAGR) of active pharmaceutical ingredients is about 7-8%. North America is the world's most important market for active pharmaceutical ingredients, with its market share at as high as 42.2%. Asia has shown the fastest growth in recent years, with a market share of about 38%.

Generic drugs are also known as non-patent drugs. They are manufactured by qualified manufacturers who, after the patent expiration of brand-name drugs, use the same chemical substances and manufacturing processes or self-developed processes to make drugs based on the published information submitted for patent applications from brand-name API manufacturers. According to TFDA regulations by the Ministry of Health and Welfare of the Executive Yuan, generic and brand-name drugs should be the same in terms of these seven conditions: doses, safety, strength, quality, efficacy, route of administration and method. These are to ensure that generic drugs maintain the same quality, efficacy, purity and stability as brand-name drugs. The total generic drug revenue in 2016 was US$ 228.8 billion, and it is estimated to reach US$ 384 billion by 2021, with a 9% CAGR.



Forecast of 2020 drug market distribution

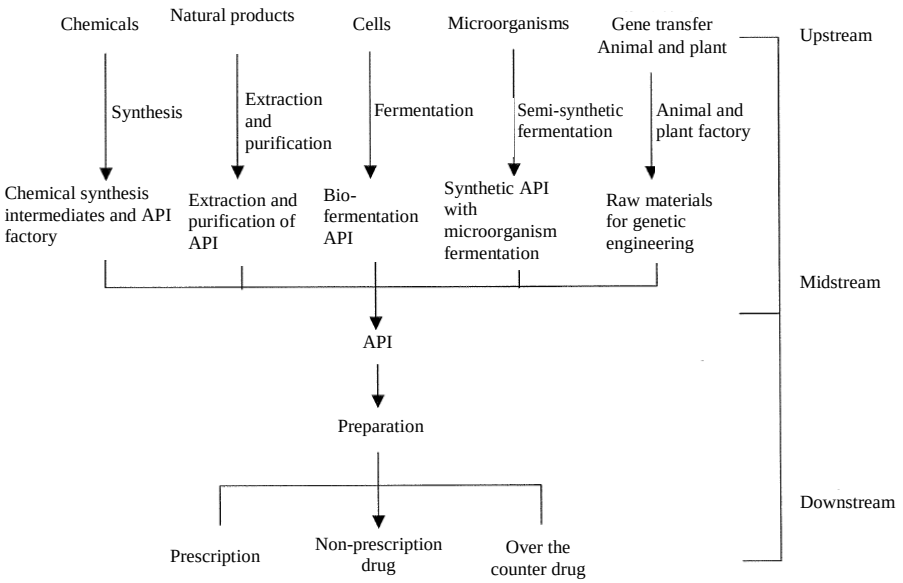
According to statistics, the CAGRs of the global drug market in recent years are about 3.0-6.0%. Due to promotion policies in the developed countries, the CAGRs of generic drugs have reached 10.8%, showing a growth that is significantly higher than the overall drug market. The market size of patent drugs having less than 5 years till expiration is about US$ 200 billion, indicating an industry peak for generic drugs. After the financial tsunami and the European debt crisis, many countries encouraged the use of generic drugs in order to control medical expenditure and reduce government deficits. The use of generic drugs in the world's top two markets, the US and the European Union, has reached 70 and 65% respectively and the proportions are still going up. Even in Japan, where the unique characteristics of the drug industry resulted in a low proportion of generic drug use, the debt pressure has led the country to increase the use of generic drugs. The government expected the proportion of generic drugs in the overall drug sales to increase from 23% in 2010 to about 30% in 2015. It was forecasted that generic drugs in Japan would experience higher growth than the European and North American markets, with a CAGR of 7.6% between 2013-2018. The emergence of generic drugs also drives the use of APIs. With many patent drugs set to expire, APIs are sure to benefit from the trend.

Faced with price competition from generic drugs, brand-name API manufacturers tend to keep their own API manufacturing capabilities. The cost consideration of generic drug manufacturers makes them actively seek API suppliers, resulting in the emergence of contracting manufacturing. API manufacturers in Taiwan are equipped with good technical capabilities and offer better product quality. The prices of their API products may be 10-20% higher than those in China or India that have adopted a low-price strategy, but they manage to provide niche products that have higher entry barriers and to successfully differentiate themselves such that more than 90% of their sales go to the European and North American markets.

2. Relations between upstream, midstream and downstream of the industry:

The Company is an API manufacturer in the midstream of the industry. Different drug characteristics require different manufacturing methods, which include biological fermentation, chemical synthesis and extraction and purification or a mixture of these processes. Based on product requirements, the Company purchases raw chemical materials or intermediates from upstream suppliers and manufactures APIs to be sold to downstream API manufacturers who add in the related excipients to manufacture convenient dosage forms. As APIs possess curative effects, they directly impact the health and safety of medicine users. To ensure the effectiveness and safety of drugs, drug manufacturers in all aspects of the pharmaceutical industry (APIs and formulation) demand strict requirements on the quality of raw materials. Government agencies in all countries also provide regulations for the major intermediates of APIs. To comply with the cGMP of the FDA and maintain stability of quality, companies from upstream to downstream are usually long-term strategic partners.

Supply chain structure showing the upstream, midstream and downstream of the API industry:



Source: Provided by the Company

3. Various product trends:

(1) Trends of biotechnology products:

Medical biotechnology products that involve proteins of macromolecules, high activity products, fermentation and genetic engineering are what most API manufacturers focus on. Ibalizumab from TaiMed Biologics, long-term interferon-α and long-term interferon-β from PharmaEssentia and the protein

inhibitor for hepatitis C virus made by TaiGen Biotechnology are some examples of biotechnology products as mentioned above. Apart from biosimilars and generic drugs, these biotechnology products are also what the Company plans for the future. For the past two years, the Company has established preliminary work with European and North American API manufacturers regarding the aforementioned products, and gradually developed basic research capabilities and equipment. The Company will commit itself into developing anticoagulants, hepatitis B medication and macromolecule hormones at the right time.

(2) Trends of non-biotechnology products:

Besides our company which is capable of manufacturing microbial biotechnology products, the other domestic API manufacturers are all in the manufacturing of organic synthesis products. In addition to the general chemical synthesis process used in the past, key manufacturing processes such as heavy metals reaction, bromination, Grignard reaction and sodium azide reaction have also been introduced, making products more diverse. In addition to developing chemical synthesis products such as the fungin series for antifungal medication, the Company is also focusing on contract manufacturing of non-biotechnology products. ACE inhibitor, Trandolapril, and the anti-allergy medicine Olopatadine will experience demand growth, and the Company will take these opportunities to enhance its capabilities, attracting more clients and developing more products with more growth potential.

4. Competition

Medicines are used to treat diseases and injuries and help your body to recover health, and it remains a difficult task to find any other alternatives or services to replace the effectiveness of medicines. Different drugs can offer different effectiveness treating the same disease and API manufacturers compete with each other. The Company mainly manufactures API for immunosuppressants and hypolipidemic drugs and more explanation regarding the competition in these two types of drugs will be provided.

Currently, the main immunosuppressants in the market are Mycophenolate Mofetil, Sirolimus, Tacrolimus and Rapamycin derivatives. The Company has successfully developed the API for these three products: Mycophenolate Mofetil has become the main product and we have become the largest supplier to the US market. Tacrolimus has been commercialized and the Japanese client has obtained its certification, and the drug was introduced to the market in 2013. Products that have not yet expired are Everolimus, developed by Novartis, and Sirolimus by Pfizer, and we have made deliveries in small quantity and worked with our clients in co-development. Other domestic manufacturers in the industry also wish to manufacture these types of drugs but we are the only company that has succeeded in developing, manufacturing and delivering them. As for foreign manufacturers, there is Fujian Kerui Pharmaceutical Co., Ltd., Huadong Pharmaceutical Co., Ltd., North China Pharmaceutical, Sandoz, Mercian-Japan (Crude form only), Biocon-India and MSN-India.

Currently, Statin is the best-selling hypolipidemic drug, with about 90% of the market share. Classified by the manufacturing processes, there are Atorvastatin and Rosuvastatin, made by chemical synthesis, and Pravastatin and Simvastatin, made by fermentation. Rosuvastatin has replaced Atorvastatin to be the best seller. Pravastatin (after the expired patent of Pravachol) developed by our fermentation process had been officially introduced and delivered to the market in 2003 and we remain the only domestic API manufacturer that manufactures the drug. As for foreign manufacturers, there are Kyowa Hakko from Japan, Zhejiang Hisun and Blue

Treasure Pharmaceutical from China, Teva-Isreal, Ranboxy-India, Biocon-India and Concord-India.

Our competitive advantage is in that we have successfully mass-produced and delivered immunosuppressants and hypolipidemic drugs, with years of experience in strain optimization, process improvement, purity improvement and reduction of impurities and residuals. We have proven our quality to be better than that of the other international suppliers and continued to reduce cost to provide competitive products.

(III) Overview of technology and R&D

1. R&D expenses spent in the most recent year as of the publication date of the annual report:

In NTD Thousands

Year / Item	2017	March 31, 2018
Research and development expenses	149,319	37,846
Net operating income	1,168,248	275,965
Percentage of net operating income	12.78%	13.71%

2. Technologies and products successfully developed:

Synthesis research institute:

(1) Completing a new production process and confirmation of efficacy for Caspofungin, an active pharmaceutical ingredient for antifungal agents, to lower production costs and increase product competitiveness;

(2) Developing Sacubitril Sodium, a new active pharmaceutical ingredient for heart failure drugs;

(3) Developing Ixazomib Citrate, a new active pharmaceutical ingredient for multiple myeloma drugs;

(4) Completing a new production process for Mycophenolate Mofetil, an immunosuppressive drug, which can effectively lower production costs and increase product competitiveness.

Biotechnology research institute:

(1) Completing lab production process scale-up for Teduglutide, an active pharmaceutical ingredient for peptides, achieving a purity of 97%. The production progress has obtained a patent in Taiwan;

(2) Completing the lab production process scale-up for Edoxaban, an active pharmaceutical ingredient for oral coagulants with a purity of 99.5%. The production process has obtained patents in Taiwan and the U.S.;

(3) Completing the lab production process scale-up for Tacrolimus, which is an ingredient for immunosuppressive drugs and can effectively lower production costs.

3. Future R&D projects and projected R&D expenses:

(1) Synthesis research institute:

Name of research project	Current progress	Expected production date	Main factors affecting the outcome of R&D projects	Projected R&D expenses
Etelcalcetide	Lab	01/2019	Successful validation	NT$8 Million
Plecanatide	Lab	02/2019	Quality meeting requirements	NT$8 Million
Abaloparatide	Lab	04/2019	Quality meeting requirements	NT$8 Million

(2) Biotechnology research institute:

Name of research project	Current progress	Expected production date	Main factors affecting the outcome of R&D projects	Projected R&D expenses
Lab process development of Ribociclib	60%	2019	How to avoid patent infringement and keep the price competitive	NT$30 Million
Scale up and validation of Rapamycin	50%	2018	Quality and the issues with scale-up are the key factors	NT$30 Million
Lab process development of Ozanimod	30%	2020	How to avoid patent infringement and keep the price and quality competitive	NT$30 Million

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

After passing GMP inspections as required by the FDA of countries in European, North America and Japan year by year, we have proven our product quality to them. In the future, we will continue developing Paragraph IV products and exploring the market while actively improving our manufacturing process to increase productivity and reduce cost.

1. Long-term business development plan:
   (1) Actively seek collaboration with other API manufacturers at home and abroad to develop CDMO businesses. Provide them with optimization of the manufacturing process, scale-up, validation and GMP manufacturing services. Supply API needed for clinical trials.
   (2) Committed to research and development of Paragraph IV products and API of generic drugs.
   (3) Develop key technologies such as hydrogenation, optical splitting, asymmetric synthesis and organometallic reactions.
   (4) Use fermentation to develop a series of immunosuppressants and anti-fungal APIs and improve their product features for marketability.
   (5) Actively look for opportunities to provide contract manufacturing service to facilitate the manufacturing of macromolecular API in the future.
   (6) Integrate the Company's synthesis and fermentation technologies to develop other alternative semi-synthetic biotechnology products.
2. Short-term business development plan:
   (1) Continue the validation of cGMP domestically.
   (2) Pass plant inspection required by FDA of the US, Japan's PMDA and EU EMA.
   (3) Improve distribution and holistic marketing of the existing products in the US, Japan and European markets.
   (4) Improve distribution and marketing of new products in the European market and increase the number of direct customers.
   (5) Committed to upgrading technologies, improving the manufacturing process, reducing cost and increasing competitiveness and market share.
   (6) Develop CDMO business and actively participate in the research and development projects of new drugs made by other large API manufacturers at home and abroad. Form collaborative partnerships in the early stages of R&D to provide intermediates needed before and during the various stages of clinical trials, trial production and development of the manufacturing process. Form strategic partnerships with large pharmaceutical companies for mutual growth.
   (7) Improve the multi-sourcing practice from various vendors to reduce cost, improve the production cost to increase the firm's competitiveness.
   (8) Strengthen the strategic alliance between CCPC and other firms. Use Tacrolimus SD20 as a blueprint to expand the product line and distribution in the global market.
   (9) Develop solvent recovery technology and continuously introduce various

management systems and mechanisms in response to the increasingly strict environmental protection requirements. Implement waste and discharge reduction practices to reduce the operating cost and fulfill our green social responsibility.

2. Market Highlights:

(I) Market analysis:

1. Major market of the Company's products

In NTD Thousands; %

Region \ Year		2016		2017	
		Amount	%	Amount	%
Exports	Asia	369,084	30.79	354,654	30.36
	America	635,674	53.03	630,538	53.97
	Europe	94,686	7.90	100,665	8.62
	Others	711	0.06	632	0.05
	Subtotal	1,100,155	91.78	1,086,489	93.00
Domestic sales		98,515	8.22	81,759	7.00
Total		1,198,670	100.00	1,168,248	100.00

2. Market share

Over the years, the export value of the country's pharmaceutical industry has been lagging behind the import value. According to ITIS statistics, the export value of pharmaceutical products in 2016 was about NTD 17.23 billion, showing a growth of 6.8% over 2015. The items were mostly API and preparation of formula medicines. Taiwan-made API are mostly for export and the value was estimated at NTD 4.99 billion. In 2017, our company accounted for 23.4% of Taiwan's API export. With the continuous expansion of generic drug market, we will keep developing new products and increase productivity to improve our market share.

3. Future supply and demand and growth of the market

(1) Global demand

With large international pharmaceutical companies continuing to outsource API and waves of patent drug expiring, the domestic API manufacturers are receiving more orders. The global demand for API continues to growth and there are 10 to 15% growth every year, higher than the 2 to 5% growth experienced by generic drugs. According to the statistics provided by Department of Industrial Technology under Ministry of Economic Affairs, the API market for the past 3 years has experienced growth stimulated by the patent expiration of popular drugs that account for US$ 75 billion in value. In other words, the global demand for API will reach a peak within three years. It was estimated that the global API market in 2017 would reach US$ 195.9 billion, directly driving the growth of domestic API manufacturers.

(2) Global supply

Due to production efficiency and cost of environmental protection, many US-based pharmaceutical companies have reduced and withdrawn from the manufacturing of API and started to source from API manufacturers in the developing companies that meet cGMP requirements and have passed plant inspection. As for Western Europe, the API manufacturers there are equipped with

more advanced technologies due to their earlier start in the pharmaceutical industry and are still the main exporters of API. However, the competition of lower pricing from China and Indi

a has led to excessive production from European API manufacturers. They actively look for transformations in order to enter the supply chain of the generic drug industry. With cheap production costs and lower requirements in environmental protection, as well as the support from their governments' long-term policies, both China and India have established good industry API foundations, gradually becoming one of the world's production bases for API. Overall, the emergence of China and India has moved the center of API development from Europe to Asia. Taiwan's API manufacturers may be small in terms of production scale, but their excellent product quality, management of the manufacturing process and cGMP implementation are all better than China and India's. They focus on developing high-priced niche API and are starting to play an important role in the global niche market.

(3) Growth

The global pharmaceutical industry has maintained a steady growth over the past hundred years. In recent years, the industry has started to experience changes due to population aging, the governments of many countries promoting the use of generic drugs, waves of brand-name drugs experiencing patent expiration and being replaced by generic drugs, and the FDA approving fewer new drugs. With industry manufacturers changing their business strategies and conducting industrial restructuring to improve production efficiency, the industry manages to maintain a steady growth. According to the statistics from IMS Health, the global pharmaceutical industry expects to keep its annual growth between 5-6%, and the global market value in 2018 may reach US$ 1.25 trillion. The global pharmaceutical industry expects to continue its steady growth.

4. Competitive niche

(1) The Company has passed the US FDA and European PIC/S regulations and their requirements for plant inspection

In March 2017, we passed the plant inspection conducted by the US FDA with zero fault and were registered on the DMF Approved List which would allow major pharmaceutical companies to query us. In July of the same year, we passed the plant inspection for cGMP conducted by Japan's PMDA regarding the manufacturing of Rpamycin. In addition to passing the inspection by the US FDA, Japan's PMDA and Taiwan's TFDA, we also passed the plant inspection by Europe's most rigorous drug certification authority, Federal Institute for Drugs and Medical Devices in Cologne, Germany, regarding the manufacturing of Pravastatin. We have met the cGMP standards of various global pharmaceutical companies. Being listed on the certification platforms will encourage global API manufacturers from Europe, the US and Japan to work with us.

(2) Many products have been certified for DMF and proven competitive in export.

A Drug Master File (DMF) mainly introduces manufacturers' company profiles, organizational charts, chemistry, manufacturing and control (CMC) in quality control and assurance, stability tests, product specifications and impurity profiles. In general, the sales of API in a particular country requires DMF registration with the local FDA. When downstream API manufacturers prepare medicine and apply for certification, the FDA reviews the DMF of the API manufacturers to make sure the API meet the local requirements. Since a DMF requires approval from the FDA, registering more DMF with the FDA can demonstrate the R&D, production and export capabilities of a company. So far, we

have completed the DMF registration with the US FDA for 19 products and received many orders for export. We will continue to develop new products, obtain their DMF registrations and improve our competitiveness in export.

(3) An API manufacturer that is equipped with bio-fermentation and chemical synthesis technologies and equipment.

Currently, most API manufacturers still use the chemical synthesis approach as it offers steady manufacturing processes, short product time and relatively simple equipment requirements. However, as the barriers to entry are lower for this type of manufacturing process, there are more competitors in the market. The concept of bio-fermentation is similar to the production of yogurt in which cell strains, animal and plant tissues, enzymes and bacterial species used in biotransformation, fermentation and purification are used to manufacture API. Since fermentation requires longer processing time, as well as the consideration of humidity, temperature and strain quality, product prices tend to be higher. The process involves many conditions and complex factors, so there are fewer capable manufacturers which offer API based on fermentation. We are one of the few companies in Asia which possesses both bio-fermentation and chemical synthesis technologies and equipment. To improve our market competitiveness, we develop API medicine using bio-fermentation or a mixture of bio-fermentation and chemical synthesis in anticipation of the future growth in biotechnology medicines.

(4) Enters the part of market in which small-batches of API are used for R&D.

Smaller pharmaceutical companies tend to use smaller batches of API for clinical trials when developing new drugs. These short-term and small-batch orders may not contribute greatly to the revenue, but the collaboration can provide future business opportunities. In other words, once their products enter large-scale clinical trials or obtain commercialization approval, they become an important source of orders for API manufacturers. We have worked with API manufacturers to provide them with API and they are in the third stage of clinical trials. Once they successfully obtain marketing authorization, we will benefit from the increased sales and improve our competitiveness.

5. Favorable and unfavorable factors affecting the future outlook:

(1) Favorable:

① The production experience with cGMP over the years, passing cGMP plant inspections conducted by the domestic drug agency and the US FDA, Germany and Japan's PMDA. This ensures the sales of both cGMP products and newly-developed products in Europe, the US and Japan. Between 2010 and 2017, export had accounted for more than 90% of the Company's total revenue every year, showing stability in export.

② The successful introduction of Pravastatin, Rapamycin, Tacrolimus & Mycophenolate Mofetil helps us accumulate experience and facilitates the development of Caspofungin, Everolimus and Peptide and open up the markets in Europe, the US and Japan.

③ We are the only API manufacturer in Taiwan which uses both synthesis and bio-fermentation processes. This capability proves to be a strong asset to develop new products such as Everolimus and others in the rolimus series, fungin products in the Caspofungin series and Peptide.

(2) Unfavorable:

① The US market may be big and offer higher unit price, but it requires lengthy preparation and a lot of manpower. Passing the FDA plant inspection within a

short time for further export is often not expected. Clients' R&D schedule and ANDA application progress can take forever, affecting the timing entering the market.

② Every European country has its own GMP requirements and inspection is needed before entering the local market. The review process of drug certification is becoming stricter, making it difficult to control the overall schedule which can impact business opportunities.

③ Tacrolimus may have been in the market for a while, but the diverse preparation methods result in it being unable to reach its target. Many patents in Europe and the US are expiring but at the same time a lot of competitive firms are showing up, causing prices to drop and making the market competition more intense.

④ The domestic healthcare policy on drug price-regulation greatly impacts the domestic sales market. The rigorous PIC/S requirements had driven the domestic API manufacturers to withdraw from the market. The low-volume and low-price conditions make the market competition even more severe.

⑤ The main source of supply to raw materials used in upstream and chemical intermediates is in China. Policy changes, environmental awareness, rise in income tax rate, reduction in export tax rebates, more strict labor laws and the rise in crude oil prices are driving up the cost.

⑥ Taiwan's API manufacturers are all export-oriented and they need to face the risk of exchange rate. After Trump took office as the 45th president of the United States, he announced his withdrawal from the TPP (Trans-Pacific Partnership Agreement). His statement on the direction of U.S. foreign policy, especially "protectionism," "fair trade" and "US dollar too strong," made the US dollar continue to depreciate against major currencies, so the risk of exchange rate increased.

(3) Countermeasures:

In the short-term, efforts will be made to diversify source of supply and seek qualified suppliers from India and other third-world countries. In the intermediate-term, improve the manufacturing technology and add in hydrogenation and metals reactions to reduce dependence on foreign intermediates.

(II) Main uses and production processes of major products:

1. Main uses:

(1) Biotechnology products:

① Mycophenolate Mofetil: An immunosuppressive drug which inhibits ejection of organ transplant.

② Rapamycin: An immunosuppressive agent which inhibits ejection of organ transplant.

③ Tacrolimus: An immunosuppressive agent which inhibits ejection of organ transplant.

④ Pravastatin: A hypolipidemic drug used to reduce total cholesterol and low-density lipoprotein cholesterol (LDL) and reduce vascular sclerosis and cardiovascular disease.

⑤ Everolimus: An anti-cancer or cardiovascular stent coating drug and also serves as an immunosuppressive agent.

(2) Non-biotechnology products:

① Methocarbamol: A muscle relaxant for muscle tension and pain and it has a relaxing effect.

② Trandolapril: For prevention and treatment of heart disease and hypertension.

③ Metaxalone: A muscle relaxant for muscle tension and pain and it has a relaxing effect.

④ Ethyl Icosapentate: Lower triglyceride

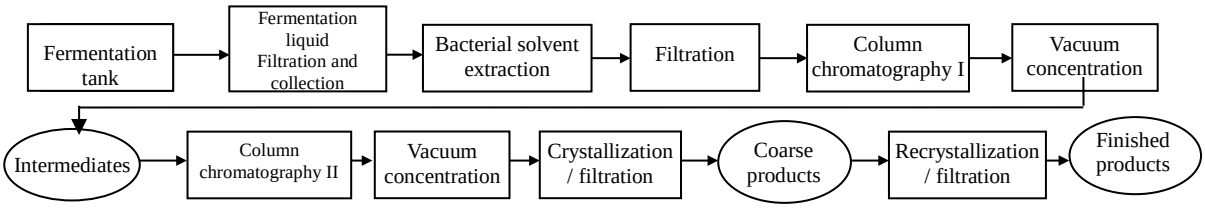
⑤ Omega-3 Carboxylic Acids: Lower triglyceride

⑥ Others: Including Fluconazole, which treats respiratory and digestive tract diseases caused by Candida and Microcystis fungi.

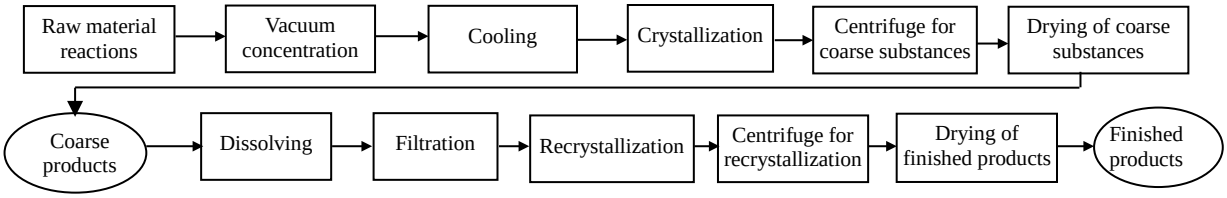
2. Manufacturing processes:

API:

(1) Biotechnology products (fermentation):



(2) Non-biotechnology products (synthetic):



(III) Supply status of main raw materials:

We always purchase raw materials from our long-term contracted suppliers who have no material shortage problems.

Main raw materials	Main suppliers	Supply status
Mycophenolic Acid	Supplier A	Good
Compactin	Supplier A	
Guaiacol	Solvay	
BU_2SNO	KHS Synchemica / Chi-Ming	
MPE	Chemhitek	

(IV) Parties who deliver more than 10% of the total raw materials or buy more than 10% of goods sold in any one of the past two years, their amount, proportion and reasons for changes:

1. Suppliers who account for more than 10% of the total purchased amount:

Information about the main suppliers the past two years

In NTD Thousands

	2016				2017				As of the end of the previous quarter in 2018 (Note 1)			
Item	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase as of the end of the previous quarter in the year (%)	Relationship with the issuer
1	Supplier A	194,225	45.02	None	Supplier A	175,179	50.51	None	—	—	—	—
2	—	—	—	—	Supplier B	39,471	11.38	None	—	—	—	—
3	Others	237,226	54.98	—	Others	132,165	38.11	—	—	—	—	—
	Net purchase	431,451	100.00	—	Net purchase	346,815	100.00	—	—	—	—	—

Note 1: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

Reasons for increase or decrease: Market demand in 2017 caused the amount changes in different raw materials suppliers. Supplier B offered competitive quotes for its raw materials, thus the increase in the purchase amount.

2. Clients who account for more than 10% of the total sales amount:

Information about the main clients the past two years

In NTD Thousands

	2016				2017				As of the end of the previous quarter in 2018 (Note 1)			
Item	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net sales as of the end of the previous quarter in the year (%)	Relationship with the issuer
1	Client B	332,293	27.72	None	Client B	412,535	35.31	None	—	—	—	—
2	Client A	76,935	6.42	None	—	—	—	—	—	—	—	—
3	Others	789,442	65.86	—	Others	755,713	64.69	—	—	—	—	—
	Net sales	1,198,670	100.00	—	Net sales	1,168,248	100.00	—	—	—	—	—

Note 1: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

Reasons for changes: The consolidation of the client's business caused the increase in sales revenue to client B.

(V) Production volume the most recent two years:

Unit: amount (kg), value (In NTD Thousands)

Year / Main products	2016			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Biotechnology products	56,051	46,391	557,326	63,380	52,954	703,118
Non-biotechnology products	312,858	282,586	257,244	308,614	152,678	144,877
Total	368,909	328,977	814,570	371,994	205,632	847,995

Note: 1. Only the capacity, volume and value of finished products.

2. The decrease in production volume of non-biotechnology products in 2017 was due to the decrease in demand for MCB products compared with the previous year.

(VI) Sales volume in the most recent two years:

Unit: amount (kg), value (In NTD Thousands)

Year / Sales revenue / Main products	2016				2017			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Biotechnology products	133	17,825	55,269	828,320	106	21,322	47,635	985,125
Non-biotechnology products	47,157	80,690	247,332	271,835	26,691	60,437	112,045	101,364
Total	47,290	98,515	302,601	1,100,155	26,797	81,759	159,680	1,086,489

3. Employees:

Year		2016	2017	Year-to-date April 30, 2018
Number of employees	Administrative department	35	38	37
	Quality control	30	32	31
	Production (Note)	149	153	144
	R&D	52	50	53
	Marketing	7	8	10
	Total	273	281	275
Average age		39.2	36.7	39.4
Average years of service		8.8	7.0	8.3
Academic qualification	Doctoral Degree	8%	6.4%	4.6%
	Master's Degree	23%	25.5%	22.9%
	Bachelor's Degree	57%	46.8%	50%
	High school	10%	19.7%	20.2%
	Below high school	2%	1.6%	2.3%

Note: 2016, 44 production staff, including foreign workers. 2017, 41 production staff, including foreign workers. As of April 30, 2018, 39 production staff, including foreign workers.

4. Expenditures on Environmental Protection:

Total amount of loss (including compensation) and fines incurred due to pollution as of the most recent year and the date of publication of the annual report. This also explains future countermeasures (including improvement) and their potential expenditures (including estimates for potential loss, fines and compensation if countermeasures are not taken. Provide descriptions for items that cannot be reasonably estimated):

(I) Total amount of loss and fine incurred due to pollution as of the most recent year and the date of publication of the annual report:

Pollution status	Compensated parties or the government agencies handing out the fines	Compensation amount or the status of punishment	Other losses
The waste storage location does not meet the description in the disposal plan. Completed improvements according to the description and also finished review.	Environmental Protection Department, New Taipei City Government	A fine of NT$6,000	None
Operating parameters for wastewater are not recorded daily. Completed improvements and review.	Environmental Protection Department, New Taipei City Government	A fine of NT$10,000	None
Specialists who handled toxins already left the Company and there was no update. Already had new hires and updates.	Environmental Protection Department, New Taipei City Government	A fine of NT$60,000	None

(II) Future response measures and potential expenses: We have completed improvements and will continue to build necessary pollution prevention facilities to fulfill the corporate social responsibility in energy conservation and emission reduction.

5. Labor Relations:

(I) The availability of employee welfare, training, ongoing education, and retirement policies. Elaborate on the agreements between employers and employees, and the protection of employees' rights:

1. Employee benefits and implementation status:

In addition to policies meeting the Labor Standards Act, the Company also provides health examination for employees. An employee welfare committee has also been established to handle benefits and manage benefit payments. The employee benefits are listed as follows:

(1) Pay out pension as required by law.

(2) In addition to having all employees participate in labor insurance and national health insurance according to law, the Company also provides group insurance and periodic health examination.

(3) Paid holidays according to law.

(4) Employees receive days off for weddings, deaths in the family and national holidays based on the requirements of Labor Standards Act, as well as benefit payments.

(5) Gifts issued to employees in the month of their birthday.

(6) Employees receive holiday bonuses or gifts for Lunar New Year, Labor Day, Dragon Boat Festival and Autumn Festival holidays.

(7) Employee trips are held or travel subsidies are given out every year.

(8) Employee housing or dorms

2. Self-improvement, training and implementation status:

To enhance employees' professional and technical capabilities and to improve work efficiency and product quality, the Company provides an Annual Education and Training Planning Chart. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities.

(1) Education and training of new hires:

To help new hires learn about the environment, understand the Company's regulations and history, pay attention to work safety, know the work of every department, and learn about the Company’s approach to environmental management, professional capabilities and requirements, labor laws and safety and health training so they can become the talent that the Company really needs.

(2) Education and training of the existing employees:

Conduct training based on the education and training program every year. Provide education on the existing task and position and knowledge and skills needed for additional specialty so they can perform better in their positions.

Implementation progress of education and training in 2017:

Types of training	Man-hours	Total cost (In NTD Thousands)
cGMP	4,562	1,219
SOP	145	
Specialized training	1,517	
Instrument	381	
New-hires	191	
General	808	
Others	779	
Total training hours	8,383	
Average training hours / per person per year	29.62	

3. Retirement system and implementation progress

In accordance with the employee retirement plan specified in the "Labor Standards Act" (referred to as "the old system") and "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" regulated by the Ministry of the Interior, we allocate a specific percentage of the monthly total payroll as the retirement reserve and deposit that into the account of employee reserve fund in Bank of Taiwan.

With "Labor Pension Act" (referred to as "the new system") becoming effective on July 1, 2005, incumbent employees under the "old system" who have qualified service tenure under the "new system" and new hires after the effective date of Labor Pension Act who select the contribution plan with the "new system" have no less than 6% of their monthly pay deposited into the account of employee reserve fund by the Company. With regard to the contribution plan, we contribute 6% of the monthly payroll, in accordance with Labor Pension Act, to Bureau of Labor Insurance and the amount contributed is recognized as part of the annual expense.

4. Agreement between the employers and employees

We respect employees' opinions and are committed to build a work environment that offers open communication. Employer-employee meetings are held periodically to encourage colleagues to voice their opinions in an open and transparent manner. Supervisors and the related work departments are required to provide prompt responses in order to achieve the goal of having two-way communication.

5. Protection measures for employee benefits

   We have a well-established management system which specifies employees' rights, obligations and welfare. The content is reviewed regularly to protect employees' interests.

6. Employees' behaviors and ethics

   We have a Code of Conduct which employees follow in their daily work practices.

   Our employees should abide by the following code of conduct:

   Article 1 Purpose

   1.1 We implement various policies in accordance with government regulations and earn profits through efficient operations in a legal manner. The Company has the obligation to take care of its employees while reserving the right to require employees to provide services. All employees shall abide by the provisions of the Code of Conduct, maintain a respectful attitude toward professionals and not engage in illegal activities or unethical behaviors.

   1.2 All employees shall adhere to reasonable and legal conduct during their employment.

   1.3 The head of each department shall be responsible for keeping subordinates in compliance with the Code of Conduct.

   Article 2 Scope

   2.1 All employees

   Article 3 Definition

   3.1. Employee

   In the Code of Conduct, "employees" include hired staff (also supervisors) and temporary contract workers.

   3.2. Gifts and entertainment

   Any tangible or intangible benefits such as money, treats, discount, gifts or promise to future employment opportunities.

   Article 4 General rules

   4.1. Company-employee relationship shall be based on high ethical standards and legal behaviors. The Company shall also protect minority groups such as foreign workers, female staff, vegetarians and the underprivileged, respecting their needs in daily activities and religions. These codes of conduct are clearly displayed in company policies and regulations and the relationship between supervisors and subordinates.

   4.2. Employees shall not misuse power in the Company for personal gains. Regardless of their job positions, employees shall avoid using their power to benefit themselves, family members, friends and relatives and parties that may have business or financial contacts. They shall not use their job authority for any labor or job gains from fellow employees.

   4.3. The selection, assignment and promotion of employees should be based on whether their capabilities meet the job requirements. Every employee should be treated equally and fairly.

   4.4. When facing a conflict of interest involving the Company, the employee should immediately notify supervisors who evaluate situation and report to the general manager for further instruction on taking appropriate actions.

   4.5. Relationship between supervisors and subordinates

   4.5.1. Correct information and guidance should be provided to ensure the behaviors meet the Code of Conduct. Any remaining doubt or issues should be escalated to upper management. Supervisors must comply with the following:

   (1) Be familiar with and handle rules governing employees and ensure all the related personnel understand the true meanings and standards.

   (2) Be familiar with the ethical and legal responsibilities being a supervisor.

4.6 Personnel in non-managerial positions

4.6.1. Non-managerial employees should follow instructions from their supervisors and do their best to complete the assigned tasks.

4.6.2. Non-managerial employees must comply with the following:

(1) Under the Code of Conduct and apply it to their jobs assigned by supervisors.

(2) Any questions regarding the Code should be reported to the immediate superior for answers and clarification.

(3) Understand the consequences of violating laws, regulations and Code of Conduct.

Article 5 Policy content

5.1 Hiring of relatives

We conduct assessment of all applicants on an equal basis. Immediate family members or connected relatives through marriage can be hired but they will be assigned to different departments or jobs that have no hierarchical relationship. Employees should notify their immediate supervisor of this type of kinship at work, and the heads of the related departments should discuss whether this can bring conflict of interests and take necessary and appropriate actions.

5.2 Gifts and entertainment

In general, employees are prohibited from giving or accepting gifts or treats unless they are based on local customs (wedding gifts and banquets, gifts or cakes for welcoming newborns, monetary contribution for funeral and others)

5.2.1 Rules on gifts and hospitality treats given by the Company

Refer to the following conditions to determine the appropriateness of giving or accepting gifts to clients, distributors and suppliers in the name of the Company:

(1) Conforms to the generally accepted business practices.

(2) Obtain approval from the Company's superiors in advance.

(3) The value of the gifts or treats given or accepted is rather insignificant to the extent that it will not be misunderstood as a favor.

(4) Not violating the existing laws or the generally accepted business ethical standards.

(5) Disclosure of facts in public so they will not harm the Company's reputation.

(6) Will not cause adverse effect on clients, distributors and suppliers and will not conflict with their laws or regulations.

5.2.2 Rules on employees accepting gifts or hospitality treatment

(1) Employees should avoid accepting gifts, treats, discounts or other similar forms of treatments from organizations or individuals with whom the Company has a business relationship.

(2) Employees should not accept any kickbacks, rewards, remunerations, loans (unless they are the loans obtained from banks or financial institutions based on their contract), temporary loans or securities and articles with values from organizations or individuals with whom the Company has a business relationship.

(3) Employees should not accept improper gifts or any rewards which have too much value that may affect normal business relationships.

(4) If employees and their family members receive valuable gifts or rewards (take both the value and frequency into consideration), they should return the gifts with a thank-you note and report the event to their direct supervisors in writing.

(5) Should not accept cash or gold and stocks that can be realized immediately.

5.2.3 Special hospitality treatment

(1) Employees should not privately accept any form of treats from organizations or individuals with whom the Company has a business relationship. For example: Business travel expenses that should be paid by

employees themselves or the Company.

(2) To maintain good customer relationships, some forms of business etiquette may be accepted. For example: paying for lunch or dinner after meetings or similar circumstances.

5.2.4 Relationship between employees and suppliers

(1) Personal interest of employees should not affect the business relationship between the Company and its suppliers.

(2) Employees should not obtain financial gains or have close partnership with the suppliers that the Company has business relationship with.

(3) Employees should not be on the board of directors or supervisors or consultants for organizations (including the competitors) with whom the Company has business relationship before obtaining approval from the Company's management.

(4) Price, quality, delivery schedule, service, diversification of sources, reputation, environmental protection, child labor issues and business practices should be considered as the criteria for selecting supplying vendors. Products or services from minority groups, female-owned businesses, vegetarians and underprivileged groups should also be considered.

(5) Employees should treat suppliers with honesty and protect their confidentiality.

(6) Fulfill contractual obligations the Company has with suppliers.

(7) Employees should not privately ask suppliers or consultants to donate to the Company unless the management agrees.

5.2.5 Relationship with other businesses

(1) All employees should perform their duties with prudence, deliberation, good judgement, honesty, integrity and obedience to the law in the best interests of the Company.

(2) Employees should not accept employment from other companies to provide professional services.

(3) Amateur work taken by employees should not interfere with the normal business hours, overtime or emergency work temporarily assigned.

(4) The Company will not take employees who have left the firm less than three years into consideration as a supplying vendors, and they should not promote their own business. This rule does not apply to those who have been laid off, retired, had their labor contract expired or assigned to other affiliate companies. In principle, the Company does not purchase materials and equipment from newly-established business organizations that hire the employees who have recently left the Company. Consideration can be made three years after the employees leave.

(5) Employees who have signed letter of commitment shall not directly or indirectly engage in or invest in a business that is similar to the Company within three years from the date of their leave from the Company, and they shall abide by the terms in the letter of commitment.

(6) New hires who have served in a government agency in the past should be verified of any related legal binding or limitation during their employment by the government.

(7) Any misconduct detrimental to the Company's interests as a result of any related third-party involvement, such as a spouse, dependent, other personnel or organizations, will also be considered fault of employees.

5.3 Leaking trade secrets

5.3.1 Employees must not disclose property information that may impact the Company's interests, such as R&D plans, production data, equipment, cost of good sold, financial statements, supplying vendors, regulations, list of employees and others, to outside parties or competitors.

5.3.2 Employees must not reveal other employees' personnel information (organizational chart, job level, title, salary, phone number and others) to any

outsiders or organizations without the written consent of the related work departments.

5.3.3 Outsiders are prohibited from visiting the Company's research, engineering, laboratory, production or financial departments unless they obtain approval in advance.

5.4. Unauthorized use of Company's information or misuse of power and malpractice

5.4.1 Employees may not abuse their position power to illegally obtain internal confidential information and engage in malpractices, such as selling company information.

5.4.2 Secretly acquire the rights to immovable properties or any other assets the Company intends to purchase.

5.4.3 Provide the Company's internal confidential information to other companies.

5.5 Safekeeping of company property, meeting minutes and funds

It is the employees' responsibility to safely keep company property meeting minutes and funds from any loss or theft. Company properties are for general business use only, not for private use; they should not be re-sold or transferred without authorization.

5.6 Copyright protection

Unauthorized use of copyrighted materials, videos, tapes, intellectual property rights or the Company's confidential documents is strictly prohibited unless it is approved by the Copyright Act or permitted by the Company. Employees are also prohibited from using the Company's intellectual property, patents and others without permission. Those who are not the Company's employees are not allowed to use company software or facilities.

5.7 Employees participating in outside activities

The Company will participate in meaningful social and community event and sponsorship depending on its financial capabilities. The Company also encourage its employees to actively participate in social welfare activities during holidays or vacation, but they are to participate in the events under their own names, not in the Company's name. Employees who wish to serve public positions or run for public office should report their intention to the general manager through their direct superior. The purpose is to prevent any conflict between the services of their public positions and their jobs in the Company. They shall not use company resources, such as stationery, stamps, mailing service, desk phones or fax machine, the Internet or other employees' assistance, when serving or running their public positions.

Article 6 Additional Rules

6.1. Employees who do not provide proper reports, or even falsify reports, or violate the Code of Conduct regarding the circumstances mentioned above will have to receive proper punishment, such as suspension, dismissal or even legal actions.

7. Protection measures for work environment and employees' personal safety:

Item	Content
Entrance Security	1. The Company maintains strict access control day and night and is in contract with a security firm to provide office and factory plant security.
Equipment maintenance and inspection	1. In accordance with the requirements of Fire Services Act, the Company commissions professional fire inspectors to conduct inspection. 2. In accordance with the occupational safety and health guidelines, the Company invites professional inspection agency to check industrial lifts and elevators every half a year (completed as of March 2018) and issue certificates. Boiler (completed as of March and May of 2017), high-pressure equipment (completed as of February 2018) and Class 1 pressure vessel (completed as of May 2017) inspections are conducted once a year to obtain necessary certificates. 3. In accordance with the occupational safety and health guidelines, all the responsible departments conduct daily, monthly, quarterly, semi-annual or annual inspection of forklifts, lifts, ventilation system, storage tanks, high- and low-voltage electrical equipment, fire fighting equipment and others and perform maintenance and repair based on the inspection plan. Industrial lift vendors are hired to perform professional inspections and maintenance of lifts on a monthly basis.

Item	Content
Disaster prevention and response actions	1. To maintain employees' safety and health, a department of safety and health is established, with one supervisor in charge of Class A occupational health and safety issues and two staff members. 2. "Response Measures for Emergencies," "Occupational Safety and Health Rules" and "Occupational Safety and Health Management Plan" are established to clearly define the responsibilities and tasks of personnel at all levels before and after incidents, and employees and contractors are required to follow the rules to prevent any occupational disasters. 3. Employees are given personal protective gears which include goggles, protective clothing and gloves, work safety shoes, respiratory protection equipment and others, and they are required to wear the gears in their daily work. 4. In accordance with "Fire Services Act" and regulations for environmental protection, the Company assigns emergency response teams, install emergency and rescue equipment and perform fire-fighting and toxin control exercises every half a year. In 2017, exercises were held on 6/26 and 12/28, with a total of 60 participants.
Physical and mental health and work environment hygiene	1. Health examination: The existing employees are given a free health check every year, better than what the provisions of the "Occupational Safety and Health Act" require. A total of 218 people took the health examination in 2017, including 51 people who took special health examination (for those who handle specific chemicals). 2. Work environment hygiene: Smoking is prohibited within the factory floor. Full-time cleaners are hired to clean office space, factory and warehouses. 3. In accordance with the requirements of the "Occupational Safety and Health Act," specialized testing organizations are invited to perform chemical exposure assessment in the product areas every half a year. The most recent testing was done in February 2018. There were 9 product processes areas and research department, 9 chemicals and 23 testing items. The results were in compliance with the allowable concentration to ensure employees' health. 4. Expressing opinions: A "General Manager's Mailbox" is set up in the cafeteria to welcome employees' inputs regarding the Company's operations and current status. Suggestions for improvement are also welcomed. The input can be anonymous or with employees' name attached and the general manager will personally handle the cases. 5. Online communication channels: A "CCSB Employee Discussion Forum" is established in the Company's system which serves as a platform for announcements and for employees to voice their opinions and concerns. In addition, employees can file complaints via "Stakeholders' Area" of the Company's website. The management will conduct investigation and handle issues in accordance with the relevant regulations to protect the interests of the Company and employees.
Education and training	1. Education and training for new hires: To help new hires learn about the environment, understand the Company's regulations and history, pay attention to work safety and know the work of every department, management of chemicals, professional capabilities and requirements, labor laws, safety and health training and cGMP training so they can understand the environment, safety and policies better. In 2017, a total 14 education and training sessions on general safety and health were held, with a total of 58 participants. A total of 9 education and training sessions on chemical hazards were held, with a total of 45 participants. 2. Education and training for the existing employees: To enhance employees' professional and technical capabilities and improve work efficiency and product quality, the Company provides an Annual Education and Training Planning Chart. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities. The Company has these professional safety and health licenses: Operation supervisor for handling organic solvents, operation supervisor for specific chemicals, operation supervisor for anoxic treatment, forklift operator, stationary crane operator, boiler operator, high-pressure equipment operator, fire protection manager, security and safety monitoring staff, first-aid personnel and others, a total of 58 specialized licenses. In 2017, 16 people took re-training course and 4 people were assigned as new trainees. 3. Education and training for contractors: In accordance with the "Occupational Safety and Health Act," the "Guidelines for Contractors' Operations" is formulated to perform education and training with and to notify contractors when they come to the factory so as to prevent potential disasters from occuring and to maintain work environment safety.

(II) Losses due to labor disputes and the disclosure of potential current and future amount and response measures as of the most recent year and the date of publication of the annual report:

The Company currently does not have a workers' union. The Company pays attention to employees' benefits, provides an excellent work environment and emphasizes two-way communication to make the employer-employee relationship better. The labor dispute in 2017 had been resolved. In the future, the communication between the Company and employees will be continuously improved to make the employer-employee relationship better.

VI. Important Contracts

The following shows the Company's effective renewed and expiring vendors and order contracts, technical collaboration contracts, engineering contracts, long-term loans and other important contracts that can affect shareholders' equity as of the publication date of the annual report:

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Loan contract	Hua Nan Commercial Bank	2017/10/06~2020/10/06	Long-term borrowings	Land pledge
Loan Contract	Yushan Bank	2017/08/01~2019/08/01	Long-term borrowings	None
Loan Contract	Taipei FuBon Bank	2017/04/13~2019/04/13	Long-term borrowings	Current ratio higher than 100%, debt ratio below 150% and tangible net value of more than NT$ 1.2 billion on the consolidated financial report for every half a year
Purchase Agreement	Supplier A	2018/01/01~2018/12/31	Purchase contract of intermediates for biotechnology products	None
Commission Contract	Ren-Pharm International, Ltd	2017/06/03~2018/06/02	Sales commission contract	None
Commission Contract	A.R.Z. Chemicals International Trade Ltd	2016/01/01~2019/12/31	Sales commission contract	None
Commission Contract	A.R.Z. Chemicals International Trade Ltd	2018/01/01~2018/12/31	Sales commission contract	None
Sales Cooperation	Domestic API manufacturers	2018/01/01~2018/12/31	Sales cooperation contract for immunosuppressant	None

VI. Financial Standing

1. Five-year Consolidated Financial Information:

(I) Condensed balance sheet for the past five years

1. Condensed and Consolidated Balance Sheet - International Financial Reporting Standards (IFRS)

In NTD Thousands

Item \ Year		Financial information for the latest 5 years (Note 1)					Financial results for the year ended March 31, 2018 (Note 3)
		2013	2014	2015	2016	2017	
Current assets		667,371	1,236,995	864,494	728,768	1,027,116	—
Available-for-sale financial assets - non-current		117,909	102,574	99,306	91,512	93,775	—
Financial assets carried at cost – non-current		9,838	24,838	33,115	33,115	30,000	—
property, plant, and equipment		2,210,931	1,815,786	1,838,916	1,837,806	2,242,930	—
Real property for investment- net		10,700	10,700	10,700	10,700	10,700	—
Intangible assets		—	1,452	1,297	214	3,185	—
Deferred income tax assets		21,221	13,822	17,291	13,076	14,787	—
Other current non-assets		2,185	1,296	5,514	10,451	25,432	—
Total assets		3,040,155	3,207,463	2,870,633	2,725,642	3,447,925	—
Current liabilities	Before dividend distribution	531,145	696,094	635,101	611,558	808,308	—
	After dividend distribution	608,705	734,874	751,441	650,338	(Note 2)	—
Non-current liabilities		797,992	895,443	371,738	342,917	818,396	—
Total liabilities	Before dividend distribution	1,329,137	1,591,537	1,006,839	954,475	1,626,704	—
	After dividend distribution	1,406,697	1,630,317	1,123,179	993,255	(Note 2)	—
Attributable to owners of the parent company		1,651,119	1,571,135	1,835,710	1,770,873	1,820,828	—
Share capital		775,600	775,600	775,600	775,600	775,600	—
Capital reserve		334,323	334,323	334,323	334,323	334,323	—
Retained earnings	Before dividend distribution	526,989	461,637	728,805	671,989	720,928	—
	After dividend distribution	449,429	422,857	612,465	633,209	(Note 2)	—
Other equity		14,207	(425)	(3,018)	(11,039)	(10,023)	—
Treasury stock		—	—	—	—	—	—
non-controlling interests		59,899	44,791	28,084	294	393	—
Total equity	Before dividend distribution	1,711,018	1,615,926	1,863,794	1,771,167	1,821,221	—
	After dividend distribution	1,633,458	1,577,146	1,747,454	1,732,387	(Note 2)	—

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: The dividend distribution for 2017 has not been approved by the general shareholder meeting, so the figure is omitted.

Note 3: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

2. Condensed Parent Only Balance Sheet - IFRS

In NTD Thousands

Item \ Year		Financial information for the latest 5 years (Note 1)				
		2013	2014	2015	2016	2017
Current assets		591,281	1,154,647	804,454	704,779	953,224
Available-for-sale financial assets - non-current		117,909	102,574	99,306	91,512	93,775
Financial assets carried at cost – non-current		—	15,000	30,000	30,000	30,000
Investments accounted for by the equity method		39,247	46,617	33,349	24,408	61,542
property , plant, and equipment		2,210,844	1,815,704	1,838,842	1,837,720	2,242,419
Real property for investment-net		10,700	10,700	10,700	10,700	10,700
Intangible assets		—	1,452	1,297	214	3,185
Deferred income tax assets		21,221	13,822	17,291	13,076	14,787
Other current non-assets		1,200	1,200	5,414	10,353	25,341
Total assets		2,992,402	3,161,716	2,840,653	2,722,762	3,434,973
Current liabilities	Before dividend distribution	530,225	695,138	633,205	608,972	795,749
	After dividend distribution	607,785	733,918	749,545	647,752	(Note 2)
Non-current liabilities		811,058	895,443	371,738	342,917	818,396
Total liabilities	Before dividend distribution	1,341,283	1,590,581	1,004,943	951,889	1,614,145
	After dividend distribution	1,418,843	1,629,361	1,121,283	990,669	(Note 2)
Attributable to owners of the parent company		1,651,119	1,571,135	1,835,710	1,770,873	1,820,828
Share capital		775,600	775,600	775,600	775,600	775,600
Capital reserve		334,323	334,323	334,323	334,323	334,323
Retained earnings	Before dividend distribution	526,989	461,637	728,805	671,989	720,928
	After dividend distribution	449,429	422,857	612,465	633,209	(Note 2)
Other equity		14,207	(425)	(3,018)	(11,039)	(10,023)
Treasury stock		—	—	—	—	—
non-controlling interests		—	—	—	—	—
Total equity	Before dividend distribution	1,651,119	1,571,135	1,835,710	1,770,873	1,820,828
	After dividend distribution	1,573,559	1,532,355	1,719,370	1,732,093	(Note 2)

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: The dividend distribution for 2017 has not been approved by the general shareholder meeting, so the figure is omitted.

(II) Condensed and comprehensive income statement for the past five years

1. Condensed Consolidated Comprehensive Statement of Income- IFRS

In NTD Thousands

Item \ Year	Financial information for the latest 5 years (Note 1)					Financial results for the year ended March 31, 2018 (Note 2)
	2013	2014	2015	2016	2017	
Operating revenues	1,043,480	946,704	1,162,211	1,198,670	1,168,248	—
Operating gross profit	374,994	296,756	406,473	414,462	407,866	—
Operating gains and losses	98,734	23,350	99,515	98,130	78,135	—
Non-operating revenues and expenses	14,948	14,557	236,591	(5,041)	31,402	—
Earnings before tax	113,682	37,907	336,106	93,089	109,537	—
Continuing operations Current period net profit	96,918	14,911	308,311	60,183	85,891	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	96,918	14,911	308,311	60,183	85,891	—
Other comprehensive income for the period (post-tax profit or loss)	14,334	(17,001)	(4,987)	(8,784)	2,943	—
Total comprehensive income for the period	111,252	(2,090)	303,324	51,399	88,834	—
Net income attributable to owners of the parent company	96,825	14,592	308,356	60,283	85,766	—
Net income attributable to non-controlling interests	93	319	(45)	(100)	125	—
Total comprehensive income attributable to owners of the parent company	111,155	(2,424)	303,355	51,503	88,735	—
Total comprehensive income attributable to non-controlling interests	97	334	(31)	(104)	99	—
Earnings per share ($)	1.25	0.19	3.98	0.78	1.11	—

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

2. Condensed Parent Only Income Statement - IFRS

In NTD Thousands

Item \ Year	Financial information for the latest 5 years (Note 1)				
	2013	2014	2015	2016	2017
Operating revenues	1,024,396	856,847	1,148,686	1,159,773	1,141,506
Operating gross profit	356,693	276,504	375,650	391,325	384,176
Operating gains and losses	98,090	22,900	89,316	95,930	69,219
Non-operating revenues and expenses	14,072	13,884	242,319	(3,407)	28,902
Earnings before tax	112,162	36,784	331,635	92,523	98,121
Current net profits from continuing operations	96,825	14,592	308,356	60,283	85,766
Gain(loss) from discontinued operations	–	–	–	–	–
Current period net profit (loss)	96,825	14,592	308,356	60,283	85,766
Other comprehensive income for the period (post-tax profit or loss)	14,330	(17,016)	(5,001)	(8,780)	2,969
Total comprehensive income for the period	111,155	(2,424)	303,355	51,503	88,735
Net income attributable to owners of the parent company	96,825	14,592	308,356	60,283	85,766
Net income attributable to non-controlling interests	–	–	–	–	–
Total comprehensive income attributable to owners of the parent company	111,155	(2,424)	303,355	51,503	88,735
Total comprehensive income attributable to non-controlling interests	–	–	–	–	–
Earnings per share ($)	1.25	0.19	3.98	0.78	1.11

Note 1: The above financial information for each year was audited by the CPAs.

(III) Names of CPAs auditing financial statements in the last 5 years, and their audit opinions:

Year	Name of auditor	Audit opinion
2013	Jun-Yao Lin, Zhao-Ming Wang	Unqualified opinion
2014	Jun-Yao Lin, Shufen Yu	Unqualified opinion
2015	Jun-Yao Lin, Shufen Yu	Unqualified opinion
2016	Shufen Yu, Shu-Qiong Zhang	Unqualified opinion
2017	Shufen Yu, Shu-Qiong Zhang	Unqualified opinion

2. Financial Performance:

(I) Consolidated financial analysis- IFRS

Items of analysis \ Year		Financial analysis for the latest 5 years (Note 1)					The current year as of March 31, 2018 (Note 2)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt to assets ratio	43.71	49.61	35.07	35.01	47.17	—
	Ratio of long-term capital to property, plant and equipment	113.48	138.30	121.56	115.03	117.68	—
Solvency (%)	Current ratio	125.64	177.70	136.11	119.16	127.06	—
	Liquid ratio	61.09	114.63	68.22	52.89	52.29	—
	Interest coverage ratio	10.22	3.70	41.14	15.18	14.11	—
Management capacity	Receivable turnover ratio (times)	8.48	8.53	6.74	5.94	5.65	—
	Average collection days	43.04	42.79	54.15	61.44	64.60	—
	Average inventory turnover (times)	1.70	1.45	1.47	1.58	1.72	—
	Average payables turnover (times)	9.15	8.75	9.94	11.72	12.01	—
	Average inventory turnover days	214.70	251.72	248.29	231.01	212.20	—
	Fixed asset turnover (times)	0.47	0.47	0.63	0.65	0.57	—
	Total asset turnover (times)	0.34	0.30	0.38	0.42	0.37	—
Profitability	Return on assets (%)	3.50	0.84	10.37	2.34	3.00	—
	Return on equity (%)	5.64	0.89	17.72	3.31	4.78	—
	Ratio of pre-tax net income to paid-in capital (%) (Note 7)	14.65	4.88	43.33	12.00	14.12	—
	Net profit margin (%)	9.28	1.57	26.52	5.02	7.35	—
	Earnings per share ($)	1.25	0.19	3.98	0.78	1.11	—
Cash flow	Cash flow ratio (%)	27.34	3.31	12.54	42.72	19.71	—
	Cash flow adequacy ratio (%)	74.16	42.83	33.89	41.20	37.45	—
	Cash flow reinvestment ratio (%)	0.82	-1.52	1.20	4.29	3.01	—
Leverage	Operating leverage	3.93	14.28	4.46	4.80	6.13	—
	Financial leverage	1.14	2.50	1.09	1.07	1.11	—

Please describe the reasons for the changes in the financial ratios over the last two years. (Changes less than 20% can be exempted from analysis)

1. The increase in debt to assets ratio was mainly due to the increase in long-term borrowings compared with last year.
2. Return on asset, return on equity, net profit and earnings per share all went up as the profit in this period was higher compared with the same period last year.
3. Cash flow ratio was down due to the increases in accounts receivable and bank borrowings.
4. Cash reinvestment ratio was down due to the increases in accounts receivable and the additional land to be sold.
5. Operating leverage went up due to the decrease in operating profit.

(II) Financial analysis for parent only company- IFRS

Items of analysis \ Year		Financial analysis for the latest 5 years (Note 1)				
		2013	2014	2015	2016	2017
Financial structure (%)	Debt to assets ratio	44.82	50.30	35.37	34.96	46.99
	Ratio of long-term capital to property, plant and equipment	111.36	135.84	120.04	115.02	117.69
Solvency (%)	Current ratio	111.51	166.10	127.04	115.73	119.78
	Liquid ratio	56.16	103.75	62.35	50.63	44.70
	Interest coverage ratio	10.10	3.62	40.60	15.09	12.74
Management capacity	Receivable turnover ratio (times)	5.28	5.76	6.02	4.92	5.05
	Average collection days	69.12	63.36	60.63	74.18	72.27
	Average inventory turnover (times)	1.93	1.44	1.55	1.60	1.74
	Average payables turnover (times)	9.22	8.14	10.16	11.49	11.98
	Average inventory turnover days	189.11	253.47	235.48	228.12	209.77
	Fixed asset turnover (times)	0.46	0.42	0.62	0.63	0.55
	Total asset turnover (times)	0.34	0.27	0.38	0.41	0.37
Profitability	Return on assets (%)	3.56	0.85	10.50	2.36	3.01
	Return on equity (%)	5.85	0.90	18.10	3.34	4.77
	Ratio of pre-tax net income to paid-in capital (%) (Note 7)	14.46	4.74	42.75	11.92	12.65
	Net profit margin (%)	9.45	1.70	26.84	5.19	7.51
	Earnings per share ($)	1.25	0.19	3.98	0.78	1.11
Cash flow	Cash flow ratio (%)	29.92	3.54	10.88	41.17	23.00
	Cash flow adequacy ratio (%)	75.54	47.05	33.91	41.27	37.52
	Cash flow reinvestment ratio (%)	1.22	-1.49	0.89	3.98	3.60
Leverage	Operating leverage	3.82	13.07	4.73	4.76	6.66
	Financial leverage	1.14	2.57	1.10	1.07	1.13

Please describe the reasons for the changes in the financial ratios over the last two years (Changes less than 20% can be exempted from analysis)

1. The increase in debt to assets ratio was mainly due to the increase in new borrowings.
2. Return on asset, return on equity, net profit and earnings per share all went up as profit in this period was higher compared with the same period last year.
3. Cash flow ratio was down due to the increases in accounts receivable and bank borrowings.
4. Operating leverage went up due to the decrease in operating profit.

Note 1: The above annual financial reports have been verified by certified public accountants.

Note 2: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

Note 3: Formulas are shown as follows:

1. Financial structure
   (1) The ratio of total liabilities to total assets ＝total liabilities／total assets
   (2) Ratio of long-term capital to property, plant and equipment＝(Total equities＋noncurrent liabilities) ／property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio＝(current assets－inventories－prepaid expense) ／current liabilities
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Management capacity
   (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / Balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
   (2) Average collection days = 365 / Receivable turnover ratio
   (3) Average inventory turnover = Cost of goods sold / Average inventory
   (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / Balance of average payables of different periods (including accounts payables and notes payable due to business operation)
   (5) Average inventory turnover days = 365 / Inventory turnover
   (6) Fixed asset turnover = Net sales / Average net value of fixed asset
   (7) Total asset turnover = Net sales/ Average total asset
4. Profitability
   (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on shareholders' equity = after tax net profit/ total average equity.
   (3) Profit ratio＝net income／net sales
   (4) Earnings per share＝(profits or loss attributable to owners of the parent company－preferred stock dividend) ／weighted average stock shares issued (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio＝net cash flow from operating activities within five years／(capital expenditure＋inventory increase＋cash dividend) within five years
   (3) Cash re-investment ratio＝(net cash flow from operating activity－cash dividend) ／(gross property , plant, and equipment＋long-term investment＋other noncurrent assets＋working capital) (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating income - Variable operating costs and expenses) / Operating profit (Note 6)
   (2) Financial leverage = Operating profit / (Operating profit - Interest expense)

3 Audit committee’s Review Report:

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Audit Committees' Review Report

The Board of Directors will prepare and submit the Company's 2017 business report, financial report (including individual and consolidated financial statements) and proposal for earings distribution. The financial reports (including individual and consolidated financial statements) have been audited by Shufen Yu and Shuqiong Zhang, certified public accountants of PwC Taiwan. They have also given an audit report. The audit committee has also reviewed all of the reports and statements mentioned above and found no inconsistencies. Therefore, the audit committee has acted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and clarified as above.

Best regards

The 2018 Annual General Meeting of Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Audit Committee Convener, Kuo-Chiang Wang

March 12, 2018

IV. Financial Statements Consolidated Subsidiaries Audited by CPA in the Most Recent Year: Refer to Page 87 to Page 141 of the Chinese version of annual report.
V. Parent Only Financial Statements Audited by CPA in the Most Recent Year: Refer to Page 142 to Page 196 of the Chinese version of annual report.
VI. Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties: None

7.Review of Financial Status, Business Performance, and Risk Management Issues

1. Financial status:

Comparison of financial status

In NTD Thousands

Item \ Year	2017/12/31	2016/12/31	Difference		Remarks
			Increase (decrease)	Change in percentage (%)	
Current assets	1,027,116	728,768	298,348	40.94	Note 1
Available-for-sale financial assets - non-current	93,775	91,512	2,263	2.47	
Financial assets carried at cost – non-current	30,000	33,115	(3,115)	(9.41)	
property , plant, and equipment	2,242,930	1,837,806	405,124	22.04	Note 2
Real property for investment- net	10,700	10,700	—	—	
Intangible assets	3,185	214	2,971	1,388.32	Note 3
Deferred income tax assets	14,787	13,076	1,711	13.09	
Other current non-assets	25,432	10,451	14,981	143.35	Note 4
Total assets	3,447,925	2,725,642	722,283	26.50	
Current liabilities	808,308	611,558	196,750	32.17	Note 5
Non-current liabilities	818,396	342,917	475,479	138.66	Note 6
Total liabilities	1,626,704	954,475	672,229	70.43	
Attributable to owners of the parent company	1,820,828	1,770,873	49,955	2.82	
Share capital	775,600	775,600	—	—	
Capital reserve	334,323	334,323	—	—	
Retained earnings	720,928	671,989	48,939	7.28	
Other equity	(10,023)	(11,039)	1,016	9.20	
Treasury stock	—	—	—	—	
Non-controlling interests	393	294	99	33.67	Note 7
Total equity	1,821,221	1,771,167	50,054	2.83	

Description on changes exceeding 20%
Note 1: The increase in current assets was mainly due to the increase in land to be sold in the period.
Note 2: The increase in fixed assets was mainly due to the purchase of land during the period.
Note 3: The increase in intangible assets was due to the additional purchase of personnel and data backup system.
Note 4: The increase in the other non-current assets was due to the increase in prepayment for pensions over the same period of last year.
Note 5: The increase in current liabilities indicates the increase in short-term bills payable and long-term liabilities due within one year.
Note 6: The increase in non-current liabilities was due to the increase in long-term borrowing during the period.
Note 7: The increase in non-controlling interests was due to the increase in profit of the Company's subsidiary over the same time of last year.

2. Financial Performance:

(I) Comparative analysis of financial performance

In NTD Thousands

Item \ Year	2017	2016	Increase (decrease)	Variation (%)	Remarks
Operating revenues	1,168,248	1,198,670	(30,422)	(2.54)	
Operating cost	760,382	784,208	(23,826)	(3.04)	
Operating gross profit	407,866	414,462	(6,596)	(1.59)	
Operating expenses	329,731	316,332	13,399	4.24	
Operating profit	78,135	98,130	(19,995)	(20.38)	Note 1
Non-operating revenues and expenses	31,402	(5,041)	36,443	(722.93)	Note 2
Earnings before tax	109,537	93,089	16,448	17.67	
Income tax expense	23,646	32,906	(9,260)	(28.14)	Note 3
Current period net profit	85,891	60,183	25,708	42.72	Note 2
Other comprehensive income for the period (net)	2,943	(8,784)	11,727	(133.50)	Note 4
Total comprehensive income for the period	88,834	51,399	37,435	72.83	
Net income attributable to owners of the parent company	85,766	60,283	25,483	42.27	
Net income attributable to non-controlling interests	125	(100)	225	(225.00)	
Total comprehensive income attributable to owners of the parent company	88,735	51,503	37,232	72.29	
Total comprehensive income attributable to non-controlling interests	99	(104)	203	(195.19)	

Description on changes exceeding 20%

Note 1: The decrease in operating profit was due to the increase in labor costs and the revision of the relevant regulations of the Labor Standards Law, the personnel-related costs incurred have increased over the same period of last year.

Note 2: The increase in non-operating income, expenses and net profits was due to the investment profits generated from the disposition of equity in Pengxu Pharma of Suzhou.

Note 3: The decrease in income tax expenses was due to the decrease in undistributed profits tax and backflush of income tax expenses from the liquidation loss of subsidiary, Hsiang-Da.

Note 4: The increase in the other consolidated profit and loss (net) was due to the raise of stock price of the financial assets available for sale during the period.

(II) Expected sales and its basis: Please refer to "Report to Shareholders."

3. Cashflow:

(I) Cashflow analysis of the most recent year:

Item \ Year	2017	2016	Percentage increase / decrease (%)
Cash flow ratio (%)	19.71	42.72	(53.86)
Cash flow adequacy ratio (%)	37.45	41.20	(9.10)
Cash flow reinvestment ratio (%)	3.01	4.29	(29.83)
Analysis of percentage increase / decrease: 1. Cash flow ratio was down due to the increases in accounts receivable and bank borrowings. 2. Cash reinvestment ratio was down due to the increases in accounts receivable and the additional land to be sold.			

(II) Plans to improve liquidity: Not applicable.

(III) Liquidity analysis for the next year

In NTD Thousands

Opening cash balance	Cash flow from operating activities for the year	Cash outflow for the year	Cash surplus (deficit)	Financing of cash deficits	
				Investment plan	Financial plan
155,995	1,228,646	1,159,394	225,247	—	—
1. Cash flow analysis for the coming year: (1) In terms of business activities, we will continue to develop the US market, actively collect accounts receivables and reduce inventory to generate net cash flow. (2) In terms of investment activities, they are mainly due to the capital expenditures for equipment purchase. (3) In terms of financing activities, they are mainly due to the cash dividend payout and repaying bank loans. 2. Responsive measures and liquidity analysis on cash flow deficits: Not applicable.					

4. Material capital expenditures in the latest year and impacts on business performance:

(I) Major capital expenditures:

In NTD Thousands

Capital expenditures	Year and month obtained	Amount	Use
Land in Guanyin Township of Taoyuan County	2017.07	709,302	To expand production

(II) Impact of major capital expenditures on financial operations:

We conduct overall assessment and planning of investment in equipment to facilitate the expansion of production capacity and strengthen competitive advantages. The source of funds for major capital expenditures in 2017 came from the working capital, partially from bank borrowing.

5. The investment policy and main reasons for profit or loss in the most recent year; improvement and investment plans for the next year:

In NTD Thousands

Item \ Description	Sum of initial investment	Policies	Investment gains (losses)	Major causes for profits or losses	Corrective plans	Investments planned for the next year
China Chemical & Pharmaceutical Co., Ltd.	103,425	Strategic investment	(Note 1)	CCPC is a downstream medicine preparation plant, and its business operations in recent years is quite stable, being profitable every year.	None	None
Siang Ta Pharmaceutical Co., Ltd.	-	-	-	The operation had been suspended in 2000. It was dissolved on August 9, 2016 by the resolution of the shareholders' meeting and the dissolution was settled on December 15, 2017. The settlement letter was obtained from the court on January 23, 2018.	-	-
PHARMAPORTS,LLC	4,925	Contacting office for the US FDA regulations and the US regional marketing office	6,107	In good operating status	None	None
CCSB HOLDING CO.,LTD	17,940	Holding and reinvestment (Note 2)	31,466	Investment profits generated from the disposition of equity in Pengxu Pharma of Suzhou by the subsidiary.	None	None
CCPC Suzhou	14,827	Re-investment (Note 3)	31,879	Investment profits generated from the disposition of equity in Pengxu Pharma of Suzhou.	None	None
China Development Biomedical Venture Capital (limited company)	30,000	Gain capital rewards	(Note 4)	In the early stage of operation and has not yet demonstrated its performance.	Has not yet shown return on investment.	None

Note 1: This is a non-current financial commodity available for sale, so there is no need to recognize the investment gains and losses
Note 2: Reinvestment in CCPC Suzhou.
Note 3: Reinvestment in Pengxu Pharma of Suzhou.
Note 4: This is a non-current financial asset measured by the cost method, so there is no need to recognize investment gains and losses.

6. Risks matter items that occurred in the most recent year and as of the printing date of this annual report:

(I) Impact of changes in interest rates and currency exchange and inflation on the Company's profit and loss and the response measures to be taken in the future:

Item	2016 (In NTD Thousands; %)	2017 (In NTD Thousands; %)
Net interest income and expense	(6,419)	(8,124)
Net exchange gains and losses	(2,314)	(13,674)
Net interest income and expense as a percentage of net operating income	(0.54)	(0.70)
Net exchange gains and losses as a percentage of net operating income	(0.19)	(1.17)
Net interest income and expense as a percentage of pre-tax net income	(6.90)	(7.42)
Net exchange gains and losses as a percentage of pre-tax net income	(2.49)	(12.48)

1. Changes in interest rates: Our interest rate risks mainly come from bank borrowings for operations and investment activities. The net interest expenses for 2016 and 2017 were NT$ 6.4 million and NT$8.1million, respectively. We always pay attention to the changes in the overall financial environment and assess the impact of interest rate changes on our interest expenses.
2. Changes in exchange rates: 90% of our revenue is collected in US dollars. Therefore, significant changes in exchange rate can be detrimental to our financial conditions. The losses in exchange for 2016 and 2017 were NT$ 2.3 million and NT$13.7 million, respectively. To reduce the adverse effect of exchange rate on our operations, we take the short-term loans and forward exchange in US dollars to hedge foreign exchange risk and reduce the impact of risk on our profit and loss.
3. Inflation: In recent years, the shortage of raw materials and energy have caused price increase. The overall economy and industry are still showing steady growth, so the inflation is still within a manageable range. We also maintain good working relationships with suppliers and customers and constantly pay attention to the fluctuation of the market price of raw materials, so inflation has no significant impact on our profit and loss. We will continue to pay attention to inflation. If it causes the cost of material purchases, we will adjust the sales price and the inventory of raw materials and finished goods accordingly.

(II) Policies on high risk and highly leveraged investments, loans to others, endorsements / guarantees, and the trading of derivative instruments; describe the main causes of profit or loss and responsive measures in the future:

1. We take a safe and steady approach in our operations and are not engaged in high-risk and highly leveraged investment activities.
2. As of the most recent years and the date of publication of the annual report, we have not engaged in lending or endorsing as a guarantor. We also have already established "Procedures for Loans to Other Parties" and "Procedures for Endorsing as a Guarantor" as references for future operation to ensure our best interests. We are engaged in forward exchange to hedge the risks from foreign exchange. Our assets in US dollars mainly come from accounts receivable due to export sales. The handling of derivatives is in accordance with "Procedures for Derivatives Transactions."

(III) Future research and development plans, and the projected expenses:

We adhere to the principles of having in-house research and development capabilities. Our long-term commitment in developing R&D talent and conducting specialized research projects is the source of our technology. We also maintain close working relationships with upstream suppliers for technical collaboration. In recent years, we also try to recruit outside R&D talent. In the coming year, we will continue devote ourselves to research and development. Having high-quality R&D personnel, mastering key technologies and meeting customer demand are the key factors to successful research and development. We will continue to accumulate our experience and constantly improve product performance to gain competitive advantages in the market.

(IV) The effect of major changes in policies and legal practices, whether domestic or foreign, to the company's financial and business performance, and the responsive actions:

We handle our operations in accordance with the domestic and foreign laws. We also constantly pay attention to changes in policies and laws. We also have quality assurance department and bioscience, synthesis and analysis institutes which provide response measures. We have not yet experienced major impacts on our financial performance from policy or laws changes at home or abroad as of the most recent year and the date of the publication of annual report.

(V) Effects of technological and industrial changes to the company's financial and business

performance, and the responsive actions:

Our main products are APIs. We survey and analyze the applications of chemical synthesis and biotechnology and the changes of technologies and at the same time develop value-added and high-margin products to maintain our profit. We have not yet experience major impacts on our financial condition due to technology or industry changes as of the most recent year and the date of the publication of annual report.

(VI) Impacts of changes in corporate image to the company's crisis management, and the responsive measures:

We have not yet experienced image crisis as of the most recent year and the date of the publication of annual report.

(VII) The expected benefits from mergers and acquisitions, the potential risks associated, and the responsive measures:

We have not planned any acquisitions as of the most recent year and the date of the publication of annual report, thus the condition does not apply.

(VIII) The expected benefits from plant expansion, the potential risks associated, and the responsive measures:

In response to the insufficient production capacity and the potential requirements of environmental protection, we acquired land in Guanyin Township of Taoyuan County in July, 2017 to expand our production. An overall consideration of operation growth was made and it can be beneficial to the expansion of future production capacity and business and our competitive advantages. We are one of the major API drugmakers in Taiwan. We will continue adding new products and improve the market share of the existing products, so the approach was not risky.

(IX) Risks of concentrated purchases or sales, and responsive measures to such risks:

We are a specialized API drugmakers. API is a main component of drugs that offers curative effect and directly affects the health and life safety of drug users. To ensure the effectiveness and safety of drugs, all drugmakers along the industry supply chain (API makers and preparation plants) are demanding for raw material quality. Healthcare agencies in every country also have requirements for the main intermediates used by API drugmakers. To ensure product quality and comply with the requirements of FDA and cGMP, we conduct numerous testing and experiments with the newly sourced materials and only use them after the stability of trial passes requirements. Once they are being used in production, they will not be replaced easily to maintain quality, stability, reliability and safety.

In 2016 and 2017, our main vendors all accounted for more than 30% of our purchases. Since we maintain stable sources of material supply and analyze the sources of these qualified suppliers, we can explore more suppliers which meet the requirements of the US FDA to better manage raw material costs and reduce the risk of purchases. In 2016 and 2017, our main clients were the world's top 100 generic drugmakers which meet the requirements of the US FDA and drug agencies in Europe and Japan. The products we sold to those foreign drug preparation companies all had key technologies that would not be replaced easily. We maintain good working relationships with our existing clients and actively explore new clients and there is no risk of customer concentration.

(X) The risks and impacts of significant shareholding transfers by directors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks:

As of the most recent financial year and the date of publication of the annual report, there is no transfer of equity for the board of directors or major shareholders who have more than 10% of the common shares. We also elected new board members at the general

shareholders meeting on May 31, 2016. The re-election was passed by the board and the shareholders' meeting and had no impact on the operating rights of the Company.

(XI) The effects, risks and responsive measures associated with changes in management:

As of the most recent financial year and the date of publication of the annual report, there has not been any transfer of equity. Major decisions on operations are provided by professional managers and executives after rigorous industry and market assessment and approved by the board of directors before being implemented. The Company has already established a robust organizational structure and empowered each department. Operational strategies are carried out by following the mechanism of internal management system and coordination and communications between different department. Changes in transfer of equity should have minimal impact on our operations.

(XII) Litigation and non-contentious cases:

1. For any material litigations, non-litigious or administrative disputes (whether concluded or pending for judgment) in the latest years up till the publishing date of this annual report that may produce material impacts to shareholders' equity or securities prices, information regarding the underlying facts, amounts, starting date, parties involved and the current progress must be disclosed: None.
2. As of the most recent financial year and the date of publication of the annual report, the Company's directors, general manager and actual owners, major shareholders who control more than 10% of shares and subsidiary companies have no determined or pending litigations, non-litigations or administrative disputes which may present significant impacts on the Company's shareholders' equity or stock price.

(XIII) Other significant risks and responsive measures: None.

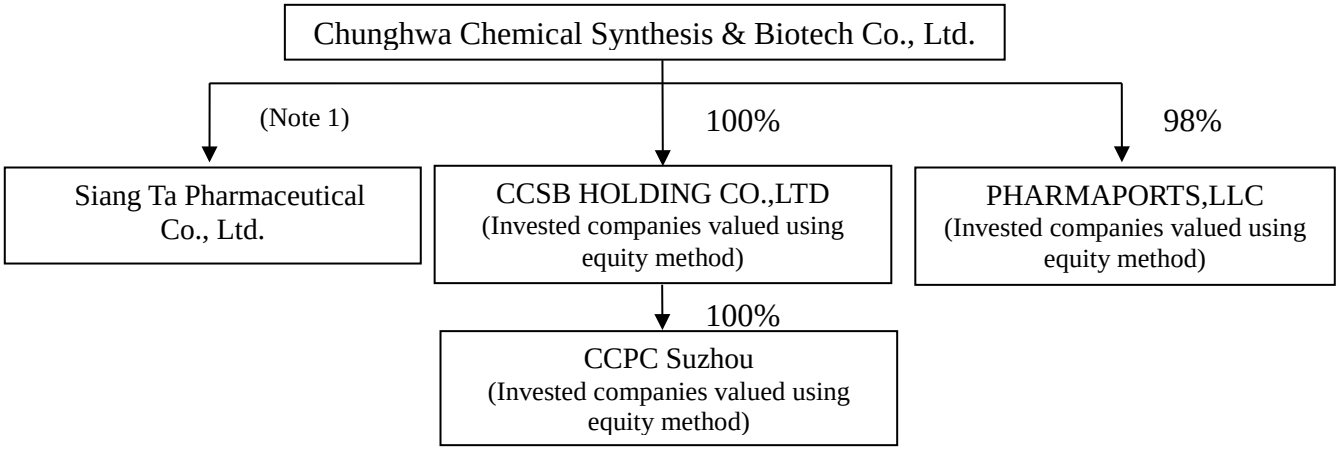
7. Other material issues: None.

VIII. Special Notes

1. Affiliated companies:

(I) Consolidated Business Reports and Consolidated Financial Statements of Affiliated entities:

1. Related Enterprise Chart:



2. Basic information on affiliated entities:

Name of enterprise	Date of foundation	Address	Paid-up Capital	Main business activities or products
Siang Ta Pharmaceutical Co., Ltd. (Note 1)	-	-	-	-
PHARMAPORTS,LLC	1999.06.01	1E. Uwchlan Avenue, Suite 116, Exton, PA19341, USA	USD225	Trading of API drugs
CCSB HOLDING CO.,LTD	2013.05.15	Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands	USD600	Engaged in shareholding and reinvestment
CCPC Suzhou	2013.09.17	Suite 1710, Century Financial Tower, No. 1 Suhua Road, Suzhou Industrial Park	USD500	Trading of raw chemical materials and agency and consultation patents and technologies

3. Controlling company and affiliate companies sharing the same shareholders: Not found.

4. Business sectors covered by other affiliates:

(1) Main areas of business

Name of enterprise	Main business
Siang Ta Pharmaceutical Co., Ltd. (Note 1)	-
PHARMAPORTS,LLC	Sales of API drugs
CCSB HOLDING CO.,LTD	Engaged in shareholding and reinvestment
CCPC Suzhou	Trading of raw chemical materials and agency and consultation patents and technologies

(2) Business transactions between various affiliates:

Our company and affiliates are all engaged in the manufacturing and sales of API drugs. We have no particularly favorable targets for purchases or sales. Our affiliates would follow the terms and conditions we have for other regular customers.

5. Information on directors, supervisors, and president of affiliated enterprises:

December 31, 2017 Unit: shares; %

Name of enterprise	Title	Name or the representative person	Shares held	
			Quantity	Shareholding percentage (%)
Siang Ta Pharmaceutical Co., Ltd. (Note 1)	—	—	—	—
PHARMAPORTS,LLC	Chairman	Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Chih-Ping Yang	–	98.00
CCSB HOLDING CO.,LTD	Director	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	600,000	100.00
CCPC Suzhou	Executive director	Chih-Ping Yang	—	—
	Supervisor	Chi-Hong Li	—	—

6. Overview of the business operations of each affiliate

In Thousands
(In NTD for all amounts without specified currency)

Name of enterprise	Share capital	Total assets	Total liabilities	Net value	Operating revenues	Operating profits (losses)	Current period profit (after tax)	Earnings per share ($) (After tax)
Siang Ta Pharmaceutical Co., Ltd. (Note 1)	—	—	—	—	—	—	—	—
PHARMAPORTS,LLC	6,696 (USD225)	117,206	97,540	19,666	630,538	9,333	6,231	—
CCSB HOLDING CO.,LTD	17,856 (USD600)	41,405	0	41,405	0	0	31,466	52.44
CCPC Suzhou	14,880 (USD500)	47,314	8,373	38,941	0	(417)	31,879	—

Note 1: Hsiang-Da was dissolved on August 9, 2016 by the resolution of the shareholders' meeting and the dissolution was settled on December 15, 2017. The settlement letter was obtained from the court on January 23, 2018.

(II) Consolidated operating report of subsidiaries, consolidated financial statement of subsidiaries and affiliation report:

Declaration

In 2017 (from January 1, 2017 to December 31, 2017), the companies that should be included in the consolidated financial reports of affiliated companies based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies that should be included in the consolidated financial reports of subsidiaries based on the "Consolidated and separate financial statements" of Section 10 of International Financial Reporting Standards were the same. The related information that should be disclosed in the consolidated financial statements of affiliated companies are also already disclosed in the consolidated financial reports for subsidiaries, so that the consolidated financial statements of affiliated companies would not be published separately.

Declared by:

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

Representative: Hsun-Sheng Wang

March 12, 2018

II. Private placement securities in the most recent year and as of the printing date of this annual report: None.

III. Status of the company’s shares disposed of or held by subsidiaries in the most recent year and as of the printing date of this annual report: None.

IV. Other necessary supplement: None.

IX. Occurrences of events defined under Article 36-3-2 of the Securities Exchange Act in the most recent year and as of the printing date of this annual report that significantly impacted shareholders' interest or share price: None.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairperson, Hsun-Sheng Wang