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Chunghwa Chemical Synthesis & Biotech Co., Ltd.

2019 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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Note to Readers:

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

I. Spokesperson, Deputy Spokesperson:

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Spokesperson	Kuan-Chieh Wang	Manager, Financial Department	(02)8684-3318	eason@ccsb.com.tw
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II. Addresses and Tel. of the Head office and factory sites

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IV. Certified public accountants (CPAs) who audited the company's annual financial report for the most recent fiscal year:

CPA Name: Shu-Qiong Zhang, Shufen Yu

Auditor's firm: PwC Taiwan

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Website: http://www.pwc.com/tw

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V. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: none.

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

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One. Report to Shareholders

Ladies and gentlemen, our cherished shareholders:

The summary of the company's 2019 business dynamics will be presented to all shareholders, and we look forward to your review and feedback.

I. The 2019 Business report:

(1) Implementation results of the business plan

The Company’s consolidated operating income of 2019 is NT$1,156,642 thousand, increased by 13% from the same period in the last year. The consolidated net sales grew by 40%, mainly because the shipments of our main products had increased and the gross margin was raised by the improvement of production process. Revenue analysis of main products. The products showing revenue growth are biotechnological products, immunosuppressive drugs, with higher gross margin, such as Tacrolimus, Rapamycin, Everolimus. Product maintaining the same revenue level is the antifungal drug Caspofungin. Product with declining revenue is lipid-lowering agent Pravastatin due to its low margin; the effect on the profits is minimal. In addition, the new production process of Mycophenolate Mofetil (MMF) will deliver a lower price compared to the old process. Clients reduced the purchase quantity of the current process and shifted the demand to the new MMF process at a lower price. It is expected that FDA will approve the modification to the new process in 2020. The purchase quantity of MMF will rebound soon.

Immunosuppressive drugs and antineoplastic drug Everolimus have higher gross margin. US clients prepared a large stock before the market launch. Therefore, the sales in 2019 is significantly higher than in the previous year. One of the US clients obtained FDA’s approval of 180-day market exclusivity and has planned to launch the generic drug Afinitor in low dosage 2.5mg, 5.0mg and 7.5mg in June 2020. The client is also the first-to-file of ANDA for high dosage (10mg). Market launch is expected to be in 2021. At that time, there will be a 180-day market exclusivity. The active pharmaceutical ingredients Everolimus used by many clients is supplied by the Company. We will do our best effort to support the client’s market sales. This will be an important driver for the growth of 2020 revenue and profit.

After succeeding in the quadrennial GMP inspection by the US FDA in November 2018, we have passed the GMP inspection by France ANSM in September 2019. We have maintained a good cGMP inspection record.

2019 Consolidated Sales Analysis Table Unit: NTD thousand

Product / Sales	Biotechnology products	Non-biotechnology products	Labor revenue	Total	Ratio of Turnover Accounted For
Domestic sales	62,236	79,096	12,013	153,345	13.26%
Exports	846,668	156,629	-	1,003,297	86.74%
Total	908,904	235,725	12,013	1,156,642	100%
Ratio of Turnover Accounted For	78.58%	20.38%	1.04%	100%	-

(II) Consolidation budget execution situation status:

Unit: NTD thousand; %

Item	Annual budget	Actual amount	Achievement rate
Operating revenues	1,239,519	1,156,642	93.31
Operating cost	785,827	688,013	87.55
Operating gross profit	453,692	468,629	103.29
Operating expenses	364,452	347,521	95.35
Operating profit	89,240	121,108	135.71
Net profit before tax	92,823	143,743	154.86

(III) Consolidated financial revenue/expenditure and profitability analysis:

1. Consolidated financial balance:

Unit: NTD thousand

Item	Amount
Operating revenues	1,156,642
Operating gross profit	468,629
Operating gains and losses	121,108
Interest income	808
Interest expenses	10,617
Capitalized interest	-
Net profit before tax	143,743
After tax net profit	117,124
Earnings per share	NTD 1.51

2. Consolidated profitability analysis:

Unit: %

Item	Ratio
ROA	3.77
Return on equity	5.85
Ratio of pre-tax net income to paid-in capital	18.53
Net profit margin	10.12
Earnings per share	NTD 1.51
Earnings per share-retrospective adjustment	NTD 1.51

(IV) R&D progress:

1. Synthesis Research Institute:
   (1) Completed the scale-up of the new process for a current antifungal agent Caspofungin Acetate, effectively reduced the production cost and increased market competitiveness.
   (2) Developed Etelcalcetide API Etelcalcetide process.
   (3) Developed the process of API Lanreotide for carcinoid tumor.
   (4) Developed osteoporosis API Abaloparatide process.
   (5) Developed rheumatoid arthritis API Baricitinib process.

2. Biotech Research Institute:
   (1) Completed the process development of the second-generation lab process for API immunosuppressive drug Tacrolimus. The fermentation output is 1.5 times of the first-generation process. The improvement can resolve the bottleneck of insufficient fermentation capacity and effectively reduce the cost by more than 20%.
   (2) Completed the scale-up lab process of API oral drug Ribociclib for treating breast cancer. The purity can exceed 99.5%. The new crystal form has been granted patent in Taiwan and the U.S.
   (3) Completed the lab process development of API Midostaurin for treating leukemia. The purity can exceed 99%.
   (4) Completed the lab process development of API oral drug Palbociclib for treating breast cancer. The purity can exceed 99%.

II. Summary of business plan 2020:
   (I) Operating principles and important production and marketing policies:
      1. Developing international market and new customers
         (1) There are efforts to boost immunosuppressive productivity and process optimization, increase production and reduce production costs and enhance competitiveness. Following the US launch by means of Paragraph IV listing, we are promising the listing in Paragraph III and Paragraph II to be available in Europe, Japan and the emerging markets. We firmly grasp the opportunities of governments of various countries to encourage the development of generic drugs to dominate the opportunity to minimize medical expenses, jump into and seize the markets of generic drugs in advanced countries such as Japan and Europe.
         (2) We will continue to strengthen the development of the US generic drug market, actively develop new customers of Paragraph IV, and deploy the Paragraph II and Paragraph III markets in Japan and Europe through new customers, independently developed by ourselves and agents with good relationships.
         (3) Everolimus has obtained the FDA inspection registration license (ANDA approval) from the US customers. It is will be available in the US market in the year of 2020. The existing Paragraph IV customers will be placed in stock before the listing and new customers will be stocked for development and delivery. As a result, it is estimated that annual revenue in 2020 will be increased.
         (4) The company will enhance the production capacity of existing niche products such as Rapamycin, Tacrolimus and anti-fungal infection product Caspofungin to meet with growing market demand.
      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) The company will continue to strengthen and implement cGMP execution and pass the official cGMP inspection of domestic and foreign customers and products from importing countries.

(2) Towards efforts to enhance trustworthiness and satisfaction to customers at home and abroad, set up the CCSB brand name into the international community and in turn set up a solid foundation.

(II) Sales Volume Forecast and Supporting Basis

The company's sales forecast for 2020 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	Biotechnology products	Non-biotechnology products	Total
Sales	41,049	141,329	182,378

III. Future development strategies:

(I) We continuously enhance our research and development energy and adjust research and development strategies to develop high-price, high-tech threshold with few competitors and high-margin products to boost the production efficiency and revenue efficiency at the current venues.

(II) We shall continuously upgrade the Company's unique fermentation and chemical synthesis technology to distinguish ourselves from other industries that only engage in chemical synthesis or fermentation technology items to increase the multiple choices of new product development and enhance our competitiveness in the entire global market. We shall, meanwhile, further strengthen our five dominant products, *i.e.*, Everolimus, Mycophenolate Mofetil, Rapamycin, Tacrolimus and Caspofungin to optimize the manufacturing process, increase production capacity to minimize costs to boost the Company's market share in the markets throughout the world.

(III) The company will develop unique key technologies to develop special products, such as high-growth products such as anti-cancer, high potency and peptide drugs, to support the development of new customers and enhance the niche and appeal of product differentiation.

(IV) Expand CDMO/CMO business, ask to participate in the new drug development projects of local and foreign pharmaceutical companies and enter into a research and development cooperation at an early stage, the intermediate requirements before and during each stage of the clinical trial, pilot production and process development, for example. We expect to form a strategic alliance with and grow with other major pharmaceutical companies.

(V) Ensure regulatory compliance, enhance the factory inspection of ingredients and API intermediate suppliers, ensure the compliance by upstream suppliers, compliance with the latest requirements by other countries' pharmaceutical supervision authorities and sufficient supply of ingredients, and sustain the quality of our products.

(VI) To continue developing solvent recall technology amid environmental protection demands becoming ever stringent, by inducting various management systems and mechanism, voluntarily executing waste reduction, reduced discharge process, lowering the operating

cost, and exerting the company's environmentally friendly social stewardship.

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

Our bulk pharmaceutical chemicals or Active Pharmaceutical Ingredient (API) are primarily are oriented to exports and are thus more sensitive to the US dollar exchange rate. When the US dollar is strong, we shall benefit from the export of APIs. The International Monetary Fund (IMF) predicts that in 2020, the economy is to grow by 3.3%, higher than the 2.9% in 2019, the first acceleration of growth in the global economy in three years. The IMF also holds that signs of trade and manufacturing activity indicate that the global economy is expected to bottom out before too long in the future.

The U.S.-China trade conflict has virtually disrupted the strength of global economic growth and the volatility of the financial market in 2019. On the other hand, nevertheless, as trade tensions eased along with the Central Bank's monetary policy, the global economy still maintained a steady growth and the financial market was, as well, boosted by capital markets. The top three indices of the American stock exchanges hit another all-time high. Looking forward to the Year 2020, the overall global economic tone will be: Continued trade conflicts amidst the slowdown of the global economic growth. The Central Banks of various countries will continuously promote or maintain loose monetary policies.

As indicated by the industry analysts at the Institute of Obstetrics and Gynecology, ITRI, the global pharmaceutical market has grown steadily in response to sound market demand, as estimated to the amount to US$1.2 trillion in 2019 and will grow at a CAGR of 7% during 2019 ~2025, reaching US$1.8 trillion by 2025.

Amidst the continuous growth of the global population and the formation of an aging/super--elderly society, the public demand by all people for medical needs has continued to rise. In view of the limited budgets for health care, the governments throughout the world have gradually sought to promote generic drugs in order to minimize medical expenses, including measures to promote the use of generic drugs, accelerate the process to review and list generic drugs, encourage pharmaceutical manufacturers to challenge patent medicines whose patents have not expired with measures to get generic drugs listed ahead of schedule. In addition, many patents for best-selling drugs have expired one after another, boosting the markets for generic drugs throughout the world into continued growth. The generic drugs industry the world over has become increasingly important. As anticipated, the generic drug markets throughout the world is believed to hit US$426.7 billion by 2021.

The company's cGMP system has been officially inspected by the United States, Europe and Japan many times. We have been one of the major suppliers of high-tech companies in the United States, Europe and Japan, although we face low-cost competition in the market from Chinese and Indian API manufacturers. With the increasingly strict inspection of the US and EU pharmaceutical authorities and the increasingly stringent requirements for cGMP requirements, the quality requirements of APIs have established a new milestone. The company faced with the improvement of pharmaceutical quality thresholds in advanced countries, it is also an opportunity for Chunghwa Chemical Synthesis & Biotech Co. Ltd who has a strong cGMP foundation. We will strive to enhance our competitiveness, deepen our research and development technology, and develop high-tech raw materials with market potential. In the harsh competition environment of the internal and external markets, we strive to break through and grow steadily.

We wish you all shareholders
May I wish you all good health and good luck.

Chairman Hsun-Sheng Wang

Two. Company Profile

I. Company founding date: 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:

This company 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 the 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 NTD10 million, which was divided into 100 thousand shares with NTD10 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 NTD155 million in October, with NTD700 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 NTD220 million with NTD920 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 NTD250 million. After the reduction and replenishment, the capital amount is NTD652 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 NTD50 million in order to strengthen the financial structure, and the capital amount reached NTD702 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 NTD73.6 million in capital, and the capital amount was NTD775.6 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. • July: Purchased land in Guanyin Township, Taoyuan County, to expand the production base. • In August, the board of directors appointed Dr. Wei Qingpeng to take

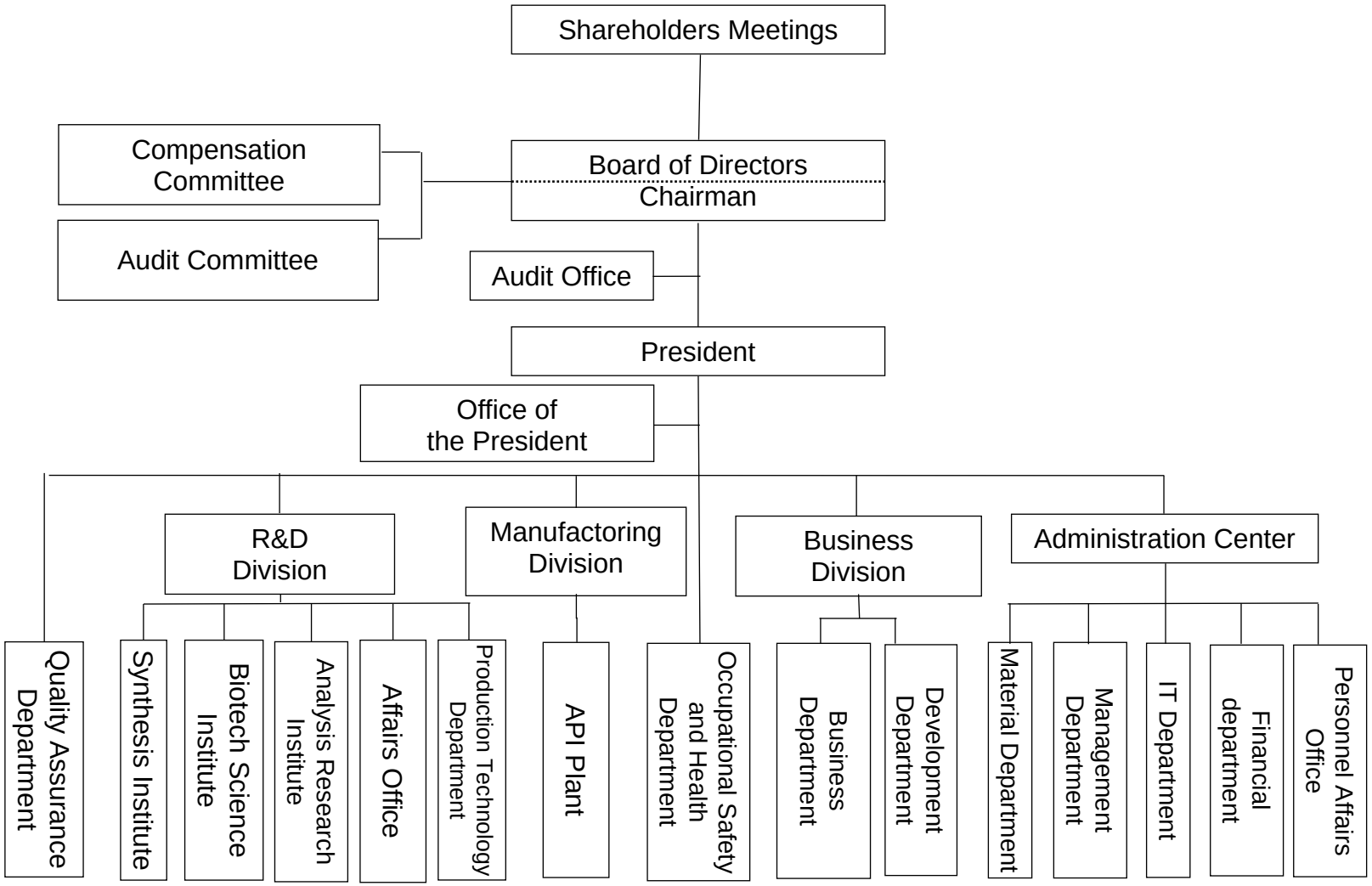
	over as deputy general manager of the R&D department. • September: Obtained the Taiwanese patent for the innovative production method of lxazomib citrate for the treatment of multiple myeloma. • October: Passed the Taiwan TFDA plant inspection. • November: Obtained the U.S. patent for anticoagulant drug Edoxaban API's "Diamine Derivative Production Method."
2018	• In March, the company obtained the Taiwan patent for “CRYSTAL FORM D OF BARICITINIB PHOSPHATE AND COMPOSITION THEREOF”. • In April, the former General Manager Dr. Yang Zhiping resigned and the new General Manager was replaced by Huang, Chung-Hsin. • May: Sold part of the land in Taoyuan Science Park. • In June, Zeng Guoxian, the Plant Deputy Director was promoted to Vice President of Manufacturing Division by the board of directors. • In July, was awarded the Gold Medal Prize for Manufacturing Technology Award by the Ministry of Economic Affairs and the Ministry of Economics. The winning product is Caspofungin Acetate. • In September, the company granted the Taiwan patent for “METHOD FOR PREPARING AMORPHOUS CARFILZOMIB (I)”. • November: Passed the U.S. FDA plant inspection. • In December, the company obtained US patent for “Method for preparing glucagon peptide-2 (GLA-2) analogue”.
2019	• In July, the Company successfully obtained a US patent for a new crystalline form of breast cancer raw material Ribociclib succinate and its preparation method. • Vice General Manager Chen Chuan-Wen, the former business head, resigned from the post in July and the vacancy was succeeded by Assistant General Manager Chen Ying-Chi as the new business head in August. • The Company was successfully granted an official pass ANSM of France in September. • In December, the American customer Par successfully obtained the anti-breast cancer drug Everolimus ANDA and was granted a 180-day market exclusive right of monopoly in the markets.

Three. Corporate Governance

I. Organizational structure:

(I) Table of Organizational structure:

CCSB Organization System Chart



(II) The responsibilities of various divisions:

Units	Main responsibilities
Office of the President	Manage the company's business development, document management, and other relevant operations.
Audit Office	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.
Financial Department	Responsible for cashier, fund planning, accounting, taxation, financial statements, budget reviews, stock management and planning, credit control, as well as fund collection and demand related operations.
Management Department	Manage the affairs for the entire plant, safeguard the company seals, and procurement of production parts and consumables.
Material Department	1. Responsible for the raw material procurement strategy planning and implementation of R&D. 2. Responsible for searching for new materials and intermediates.
IT Department	Responsible for the company's computerized operations as well as system analysis and management.
Personnel Affairs Office	Responsible for recruiting appointments, compensation and benefits, performance appraisal, training and development, and other human resources related businesses.
Business Department	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.
Development Department	Responsible for global market information gathering and analysis as well as new product development screening.
Occupational Safety and Health Department	1. Wastewater, air pollution, waste handling, and other relevant operations. 2. Handling of the occupational safety and health related matters.
API Plant	Responsible for the production of chemical APIs, chemical products, and fermented raw materials.
Production Technology Department	He is responsible for coordinating CMO/CDMO and technology transfer planning and execution, process improvement and cost reduction related business.
Synthesis Institute	Chemical synthesis of new product development.
Biotech Science Institute	Fermentation new product development and strain optimization.
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 Department	Quality assurance, control, and validation, etc., related GMP related plant inspections, drug license applications, and other regulatory operations.

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

(I) Director:

1. Directors Information:

March 31, 2020Unit: Shares

Title (Note 1)	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			Remarks
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Chairman	Republic of China	China Chemical & Pharmaceutical Co., Ltd.	-	2019.05.31	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 3	None	None	None	None
	Republic of China	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang	Male	2019.05.31	3 years	1994.05.28	0	0%	2,854,230	3.68%	787	0%	0	0%	Master of Business Administration, Yale University, U.S.A. Chairman of China Chemical & Pharmaceutical Co., Ltd.	The Company: Chairman Other companies: Note 4	None	None	None	None
Director	Republic of China	China Chemical & Pharmaceutical Co., Ltd.	-	2019.05.31	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 3	None	None	None	None
	Republic of China	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun	Male	2019.05.31	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	None
Director	Republic of China	Wang Ming-Ning Memorial Foundation	-	2019.05.31	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	None
	Republic of China	Wang Ming-Ning Memorial Foundation representative: Chung-Hsin Huang	Male	2019.05.31	3 years	2018.04.01	0	0%	69,411	0.09%	0	0%	0	0%	Chemical Engineering Department of Chung Yuan University China CCSB Pharmaceuticals president Business Division, Administrative Center of Chunghwa Chemical Synthesis & Biotech Co. Ltd. Vice President	The Company: President Other companies: Note 7	None	None	None	None
Director	Republic of China	Wang Ming-Ning Memorial Foundation	-	2019.05.31	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	None
	Republic of China	Wang Ming-Ning Memorial Foundation representative: Hou-Jie Wang (Note 2)	Male	2020.01.17	3 years	2020.01.17	0	0%	106,600	0.14%	0	0%	0	0%	Department of Psychology, University of Southern California Vice President of Suzhou Chung-Hwa Chemical Pharmaceutical Industrial Co., Ltd.	The Company: none Other companies: Note 8	None	None	None	None
Independent Director	Republic of China	Kuo-Chiang Wang	Male	2019.05.31	3 years	2010.06.08	0	0%	0	0%	0	0%	0	0%	BA of National Chung Hsing University accounting department 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	None
Independent Director	Republic of China	Cheng-Hsien Tsai	Male	2019.05.31	3 years	2012.06.20	0	0%	0	0%	0	0%	0	0%	University of Minnesota, Department of Chemicals and Materials Science	The Company: none	None	None	None	None

Title (Note 1)	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			Remarks
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
															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)	Other companies: Note 10				
Independent Director	Republic of China	Chih-Hsien Chang	Female	2019.05.31	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 Supervisor of ADLINK Technology Inc.	The Company: none Other companies: Note 11	None	None	None	None

Note 1: Where the Company's chairman and general manager or personnel of the equivalent positions (the highest managerial officers) are the same persons, as spouse or blood relatives within the first degree of kinship to each other, the Company should clarify the reasons, rationale, necessity and countermeasures: not applicable. Such fact is virtually nonexistent.

Note 2: Mr. Wang Hsun-Hui, representative of Mr. Wang Min-Ning's Memorial Foundation passed away on January 13, 2020. Mr. Wang Hou-Chieh was appointed the representative to head the Foundation on January 17, 2020.

Note 3: Director of Tairung Development Co., Ltd., Sinochem Yumin Health Co., Ltd., SINO-JAPAN CHEMICAL CO.,LTD.; and supervisor of Chunghwa Yuming Healthcare Co., Ltd.

Note 4: China Chemical & Pharmaceutical Co., Ltd. (Chunghwa Chemical Synthesis & Biotech Co. Ltd legal representative), Tairung Development Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd, (China Chemical Pharmaceutical Co., Ltd. legal representative), SINO-JAPAN CHEMICAL CO.,LTD. (China Chemical Pharmaceutical Co., Ltd. legal representative) - Chairman; Director of Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD.

Note 5: Tairung Development Co., Ltd. (legal representative of China Chemical Pharmaceutical Co., Ltd.), Sinochem Yumin Health Co., Ltd. (legal representative of China Chemical Pharmaceutical Co., Ltd.), Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD - Director; General Manager of Sinochem Yumin Health Co., Ltd.; Deputy General Manager of China Chemical Pharmaceutical Co., Ltd.

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

Note 7: PHARMAPORTS, LLC (Chunghwa Chemical Synthesis & Biotech Co. Ltd. legal representative) Chairman, Executive Director of Suzhou Sinochem Synthetic Biotech Trading Co., Ltd.

Note 8: Director, vice general manager of China Chemical & Pharmaceutical (Suzhou) Co., Ltd.; Director of China Chemical and Pharmaceutical Co., Ltd. (representative of Mr. Wang Min-Ning's Memorial Foundation),

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, audit committee member of Partner Technology Co., Ltd. and National Chiao Tung University part-time assistant professor.

Note 10: Chairman of Hsun Lian Biotechnology Co., Ltd.; Crown Star Alliance Limited, Star Ford (Samoa) Limited; Chief Executive Officer (CEO) of Chuang Yuan Biotechnology Co., Ltd.; Director , member of Remuneration Committee of Sheng Lai Company; Sanhe Synthetic Co., Ltd.; Independent Director of Les Enphants Co. Ltd.; Independent Director, Convener of Remuneration Committee of Lien Chang Electronic Co., Ltd.; Director, member of Remuneration Committee of Kai Mei Mechanical & Electrical Co., Ltd.

Note 11: Chief Executive Officer (CEO) of Prospect Think Tank; Special Assistant to the Head Architect of Hsiao Chia-Fu Architects & Associates; Treasurer of Chia Tang Construction Co., Ltd.

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:

March 31, 2020

Name of corporate shareholder	Corporate shareholders' main shareholders	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	8.49%
	Hsun-Sheng Wang	4.93%
	Hsun-Hui Wang	4.58%
	Fubon Life Insurance Co. Ltd.	4.36%
	Wang Ming-Ning Memorial Foundation	3.50%
	Kuan Enterprise Limited	2.37%
	Special Account for Investment of the Central Bank of Norway in custody of Citibank	2.21%
	Majiade Enterprises Co., Ltd.	1.63%
	Special Property Trust Account in Far Eastern International Bank as commissioned for Employees of China Chemical and Pharmaceutical Co., Ltd.	1.21%
	JPMorgan Chase commissioned into trusteeship for Vanguard's Emerging Markets Equity Fund Account	1.01%
Wang Ming-Ning Memorial Foundation (Note 1)	Li-Hui Wang Huang, Hsun-Sheng Wang, Hsun-Hui Wang, Hsun-Yu Wang	91.88%
	China Chemical & Pharmaceutical Co., Ltd.	3.63%
	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	2.03%
	Chih-Chuan Wang	0.73%
	Hsun-Sheng Wang	0.35%
	Chiung-Ying Wang Sung	0.25%
	Hsun-Hui Wang	0.18%
	Li-Hui Wang Huang	0.12%
	Hsiang-Yu Chen Wang	0.07%
	Fu-Chuan Wei	0.02%

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

March 31, 2020

Name of corporate shareholder	Corporate shareholders' main shareholders	Shareholding percentage
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	China Chemical & Pharmaceutical Co., Ltd.	22.35%
	Hsun-Sheng Wang	3.68%
	Tsung-Ying Tung	2.80%
	Hsun-Hui Wang	2.40%
	Wang Ming-Ning Memorial Foundation	2.18%
	Fubon Financial Holding Co., Ltd.	1.93%
	Chiu-Lan Liu Huang	1.92%
	Chun-ang Chen	1.79%
	Xun-Wei Wang	1.29%
	Gui-Mei Ling	1.28%

Name of corporate shareholder	Corporate shareholders' main shareholders	Shareholding percentage
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co., Ltd.	100.00%
Wang Ming-Ning Memorial Foundation (Note 1)	Li-Hui Wang Huang, Hsun-Sheng Wang, Hsun-Hui Wang, Hsun-Yu Wang	91.88%
	China Chemical & Pharmaceutical Co., Ltd.	3.63%
	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	2.03%
	Chih-Chuan Wang	0.73%
	Hsun-Sheng Wang	0.35%
	Chiung-Ying Wang Sung	0.25%
	Hsun-Hui Wang	0.18%
	Li-Hui Wang Huang	0.12%
	Hsiang-Yu Chen Wang	0.07%
	Fu-Chuan Wei	0.02%
Kuan Enterprise Limited	Jun-Ping Guan	100.00%
Special Account for Investment of the Central Bank of Norway in custody of Citibank	—	—
Majiade Enterprises Co., Ltd.	Yi-Zhen Xie Wang	55.80%
	Hsun-Sheng Wang	25.42%
	Hou-Zhu Wang	9.12%
	Hou-Kai Wang	9.12%
	Zheng-Zhi Hong Xie	0.54%
Special Property Trust Account in Far Eastern International Bank as commissioned for Employees of China Chemical and Pharmaceutical Co., Ltd.	—	—
JPMorgan Chase commissioned into trusteeship for Vanguard's Emerging Markets Equity Fund Account	—	—

Note 1: Where a juristic person shareholder is not in an organization as a company, the aforementioned shareholder titles and shareholding ratios would be just the names of investors or donors and their investment or donation ratios.

3. Professional qualifications and independence of directors:

March 31, 2020

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
			Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Director	China Chemical & Pharmaceutical Co., Ltd.	Representative: Hsun-Sheng Wang	–	–	✓	–	–	–	–	–	✓	–	–	✓	✓	✓	–	None
Director	China Chemical & Pharmaceutical Co., Ltd.	Representative: Yin-Nan Sun	–	–	✓	–	–	✓	–	–	✓	✓	–	✓	✓	✓	–	None
Director	Wang Ming-Ning Memorial Foundation	Representative: Chung-Hsin Huang	–	–	✓	–	–	✓	–	✓	✓	–	✓	✓	✓	✓	–	None
Director	Wang Ming-Ning Memorial Foundation	Representative: Hou-Jie Wang (Note 2)	–	–	✓	–	–	✓	–	–	✓	✓	–	✓	✓	✓	–	None
Independent Director	Kuo-Chiang Wang		✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director	Cheng-Hsien Tsai		–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director	Chih-Hsien Chang		–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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, Supervisor of the Company or its affiliate (except those holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(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 third degree of kinship, of any of the managers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).

(5) Not a Director, Supervisor or employee of the institutional shareholder who directly holds more than 5% of the outstanding shares issued by the Company, is among the top 5 shareholders, or appoints representatives to assume positions as Directors of Supervisors of the Company under Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (except those holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(6) Not a Director, Supervisor of employee of a third-party company held by the same person who also holds the seats of Directors of the Company or more than half of the voting shares (except those holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(7) Not a Director, Supervisor, or employee of a third-party company or institution or the spouse of a Director, Supervisor, or employee of a third-party company or institution who also holds the position of Chairman, General Manger, or similar position (except those holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(8) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the shares of a particular company or institution having financial and business transactions with the Company (except such particular company or institution which holds more than 20% but less than 50% of the shares issued by the Company, and holds a position as Independent Director of the Company who also acts as Independent Director of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(9) Not an owner, partner, Director, Supervisor, Manager or spouse to the owner, partner, Director, Supervisor, Manager of a professional, sole proprietor, partnership, company or institution providing audit service for the Company or its affiliates, or who has received remunerations of less than NT$500,000 in accumulation over the last 2 years, Except, however, the Remuneration Committee, Public Acquisition Review Committee or Special Mergers & Acquisition Committee that perform responsibilities and powers in accordance with the Securities and Exchange Act, Business Mergers and Acquisitions Act and laws and ordinances concerned.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Does not meet any descriptions stated in Article 30 of the Company Act.

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

Note 2: Mr. Wang Hsun-Hui, representative of Mr. Wang Min-Ning's Memorial Foundation passed away on January 13, 2020. Mr. Wang Hou-Chieh was appointed the representative to head the Foundation on January 17, 2020.

(2) Information of the President, Vice President, associated director, and supervisor of the various units and branches March 31, 2020Unit: Shares

Title (Note 1)	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 kin within the second pillar under the Civil Code and who is a manager			Remarks
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
President	Republic of China	Chung-Hsin Huang	Male	2018.04.01	69,411	0.09%	0	0%	0	0%	Chemical Engineering Department of Chung Yuan University China CCSB Pharmaceuticals president Vice President of Business Department, CCSB Biotech Administrative Center	PHARMAPORTS,LLC (CSBC incorporated entity representative) chairman Executive director of Suzhou Chunghwa Biotech Trading Co., Ltd.	None	None	None	None
Vice President of R&D Division	Republic of China	Qing-Peng Wei	Male	2017.08.14	60,000	0.08%	210,000	0.27%	0	0%	National Tsing Hua University, Department of Chemistry Vice President of Formosa Laboratories, Inc.	None	None	None	None	None
Vice President of Manufacturing Division	Republic of China	Guo-Xian Zeng	Male	2018.07.01	2,051	0%	0	0%	0	0%	Department of Chemical Engineering, National Cheng Kung University Director for CCSB	None	None	None	None	None
Vice President of Business Division	Republic of China	Quan-Wen Chen (Note 2)	Male	2016.06.01	0	0%	0	0%	0	0%	Taipei Medical University, Department of Medical Technology Director of marketing for Chugai Pharma Taiwan Ltd.	None	None	None	None	None
Assistant Vice President of Business Division	Republic of China	Ying-Chi Chen (Note 2)	Male	2019.09.01	12,000	0.02%	0	0%	0	0%	Master of Microbiology and Immunology, Yangming University COO of PHARMAPORTS,LLC	None	None	None	None	None
Assistant President of Biotechnology Institution	Republic of China	Jin-Cheng Mai	Male	2019.07.01	13,000	0.02%	0	0%	0	0%	Master from Department of Chemistry, National Taiwan University Chairman, Synthetic Biotechnology Institution of China Chemical and Pharmaceutical Co., Ltd.	None	None	None	None	None
Assistant Vice President of Quality Assurance Department	Republic of China	Wen-Bing Wang	Male	2019.07.01	17,854	0.02%	0	0%	0	0%	Ph. D. from Institute of Chemical Engineering, University of Massachusetts Manager of Quality Assurance Department, China Chemical and Pharmaceutical Co., Ltd.	None	None	None	None	None
Internal Audit Manager	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	None
Manager, Treasury Dept.	Republic of China	Kuan-Chieh Wang	Male	2018.11.20	0	0%	0	0%	0	0%	MBA in Accounting of Chinese Culture University Assistant Manager of Management Center, Chieh Hsun Technology Co., Ltd.	None	None	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.	Supervisor of Suzhou Chunghwa Biotech Trading Co., Ltd.	None	None	None	None

Note 1: Where the Company's chairman and general manager or personnel of the equivalent positions (the highest managerial officers) are the same persons, as spouse or blood relatives within the first degree of kinship to each other, the Company should clarify the reasons, rationale, necessity and countermeasures: not applicable. Such fact is virtually non-existent.

Note 2: Vice General Manager Chen Chuan-Wen, the former business head of the Company, resigned from the post on July 31, 2019 and the vacancy was filled by Assistant General Manager Chen Ying-Chi as the new business head as officially resolved by the board of directors on August 12, 2019. The new post came into effect on September 1, 2019.

III. Remuneration paid to Directors, the President, and the Vice President in the latest year

(1) Remuneration paid during the most recent fiscal year to Directors, Presidents, and Assistant Presidents

1. Remuneration of directors and independent directors

Unit: NT$ thousand December 31, 2019

Title	Name	Directors' remuneration								The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration as an employee								The sum of A, B, C, D, E, F and G in proportion to Earnings (%)		With or without payment received from an investee or parent company beyond a subsidiary
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D) (Note 1)				Salaries, bonuses, special allowances etc (E) (Note 2)		Pension (F)		Remuneration to employees (G)						
																The Company		All companies contained in the financial report				
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies contained in the financial report	
Chairman	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang	3,348	3,348	0	0	774	774	734	734	4.15	4.15	6,296	6,296	0	0	618	0	618	0	10.06	10.06	0
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun																					
Director	The Mr. Wang Min-ning Memorial Foundation representative: Wang Shun-hui																					
Director	The Mr. Wang Min-ning Memorial Foundation representative: Huang Chung-hsin																					
Independent Director	Kuo-Chiang Wang	1,296	1,296	0	0	1,110	1,110	57	57	2.11	2.11	0	0	0	0	0	0	0	0	2.11	2.11	0
Independent Director	Cheng-Hsien Tsai																					
Independent Director	Chih-Hsien Chang																					

1. Please describe the policy, systems, standards and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks and invested time:
In the Company, the remuneration to the independent directors has been duly granted in accordance with the "Regulations Governing Salaries and Remuneration Granted to the Directors and Functional Committee Members" and Article 32 of the Articles of Incorporation, as duly reviewed by the Remuneration Committee, with consideration of the results of the Company's performance, their participation levels to the Company's business operation and their contribution values to the Company The rationality and impartiality are linked up with the income, with reference to the levels prevalent in the firms and companies in the same industry before the proposals were submitted to and resolved in the board of directors.
2. Pay for services (such as non-employee consultant) specified in the financial statements provided by directors in the previous year not specified above: None.

Note 1: Include the transportation vehicle lease amount of NTD734,000.

Note 2: Including the NT$394,000 rents paid for the leased vehicles plus NT$766,000 salaries paid for the chauffeurs, not counted into the 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 Company	All companies contained in the financial report	The Company	All companies contained in the financial report
<NTD1,000,000	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun; Wang Ming-Ning Memorial Foundation representative: Hsun-Hui Wang; Wang Ming-Ning Memorial Foundation representative: Kuo-Chiang Wang, Chih-Hsien Chang, Cheng-Hsien Tsai, Chih-Hsien Chang	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun; Wang Ming-Ning Memorial Foundation representative: Hsun-Hui Wang; Wang Ming-Ning Memorial Foundation representative: Kuo-Chiang Wang, Chih-Hsien Chang, Cheng-Hsien Tsai, Chih-Hsien Chang	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun, The Mr. Wang Min-ning Memorial Foundation representative: Shun-hui Wang, Cheng-Hsieni Tsai, Kuo-Chiang Wang, Chih-Hsien Chang	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun, The Mr. Wang Min-ning Memorial Foundation representative: Shun-hui Wang, Cheng-Hsieni Tsai, Kuo-Chiang Wang, Chih-Hsien Chang
NTD1,000,000 ~ NTD2,000,000 (exclusive)	None	None	None	None
NTD2,000,000 ~ NTD3,500,000 (exclusive)	None	None	None	None

NTD3,500,000 ~ NTD5,000,000 (exclusive)	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang
NTD5,000,000 ~ NTD10,000,000 (exclusive)	None	None	The Mr. Wang Min-ning Memorial Foundation representative: Huang Chung-hsin	The Mr. Wang Min-ning Memorial Foundation representative: Huang Chung-hsin
NTD10,000,000 ~ NTD15,000,000 (exclusive)	None	None	None	None
NTD15,000,000 ~ NTD30,000,000 (exclusive)	None	None	None	None
NTD30,000,000 ~ NTD50,000,000 (exclusive)	None	None	None	None
NTD50,000,000 ~ NTD100,000,000 (exclusive)	None	None	None	None
> NTD100,000,000	None	None	None	None
Total	7 persons	7 persons	7 persons	7 persons

2. Remuneration to the President and Vice President

Unit: NTD thousand December 31, 2019

Title	Name	Salary (A)		Pension (B) (Note 2)		Bonuses and allowances etc (C) (Note 3)		Remuneration to employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		With or without payment received from an investee or parent company beyond a subsidiary?
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company		All companies contained in the financial report		The Company	All companies contained in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chung-Hsin Huang	13,961	13,961	376	376	2,809	2,809	1,306	0	1,306	0	15.77	15.77	0
Vice President of Business Department	Quan-Wen Chen (Note 1)													
Vice President of R&D Department	Qing-Peng Wei													
Vice President of Manufacturing Division	Guo-Xian Zeng													

Note 1: Resigned on July 31, 2019

Note 2: The amount of retirement pension allocated in 2019.

Note 3: The compensation package including rental fee for the car, is NT$812,000; the relevant compensation for the driver is NT$766,000, which is not included in the remuneration.

Table of salaries scale

Range of Remunerations paid to various Presidents and Vice Presidents	Names of the Presidents and the Vice Presidents	
	The Company	All companies contained in the financial report
<NTD1,000,000	None	None
NTD1,000,000 ~ NTD2,000,000 (exclusive)	None	None
NTD2,000,000 ~ NTD3,500,000 (exclusive)	Guo-Xian Zeng	Guo-Xian Zeng
NTD3,500,000 ~ NTD5,000,000 (exclusive)	Qing-Peng Wei, Quan-Wen Chen	Qing-Peng Wei, Quan-Wen Chen
NTD5,000,000 ~ NTD10,000,000 (exclusive)	Chung-Hsin Huang	Chung-Hsin Huang
NTD10,000,000 ~ NTD15,000,000 (exclusive)	None	None
NTD15,000,000 ~ NTD30,000,000 (exclusive)	None	None
NTD30,000,000 ~ NTD50,000,000 (exclusive)	None	None
NTD50,000,000 ~ NTD100,000,000 (exclusive)	None	None
> NTD100,000,000	None	None
Total	4 persons	4 persons

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

December 31, 2019 Unit: NT$ in thousand

	Title	Name	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Manager	President	Chung-Hsin Huang	0	2,464	2,464	2.11
	Vice President of R&D Department	Qing-Peng Wei				
	Vice President of Manufacturing Division	Guo-Xian Zeng				
	Assistant Vice President of Business Division	Ying-Chi Chen (Note 1)				
	Assistant President of Biotechnology Institution	Jin-Cheng Mai (note 2)				
	Assistant Vice President of Quality Assurance Department	Wen-Bing Wang (note 3)				
	Internal Audit Manager	Chao-Sheng Hong				
	Manager, Treasury Dept.	Kuan-Chieh Wang				
	Accounting Supervisor	Hsiu-Fen Lin				

Note 1: Former PPL Chief Executive Officer (CEO) Chen Ying-Chi was appointed the Company's new Head of Business Division on September 1, 2019, and was promoted as the Vice President of that Division.

Note 2: Dr. Mai Chin-Cheng, chairman of the Biotechnology Research Institution was promoted to the Assistant President of that Division on July 1, 2019.

Note 3: Dr. Wang Wen-Bin, head of Quality Assurance Division, was promoted to the Assistant President of that Division on July 1, 2019.

(3) Respectively compare and specify the analysis results for the ratios of the net incomes for all of the company's total renumeration amounts 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 renumeration policies, standards and combinations, renumeration setting procedures, operating performances, and future risks:

1. Ratio analysis for the last two years

Year / Item	2018				2019			
	Total renumeration (thousand dollars)		Post-tax equity ratio (%)		Total renumeration (thousand dollars)		Post-tax equity ratio (%)	
	The Company	Consolidated Statement, all Company	The Company	Consolidated Statement, all Company	The Company	Consolidated Statement, all	The Company	Consolidated Statement, all Company
Director	27,986	27,986	11.95	11.95	25,771	25,771	22.03	22.03
Presidents and Vice Presidents								

Note: The total job remuneration of directors, general managers and deputy general managers of the company in the individual statements and consolidated statements in 2019 did not change significantly from the previous year. However, due to the decrease in net profit after tax in 2019, the net profit ratio of individual or consolidated financial reports after taxation increased compared with that in 2018.

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

The Company's Articles of Incorporation expressly provide under Article 32: From the profit earned in a fiscal year, if any, a sum 1%~15% shall amortized as

the remuneration to employees and a sum within 3% maximum shall be the remuneration for directors.

In the Company, the remuneration to the directors has been duly granted in accordance with the “Regulations Governing Salaries and Remuneration Granted to the Directors and Functional Committee Members,” “Regulations and Procedures Governing the Board of Directors in Self-Evaluation and Peer Evaluation” and Article 32 of the Articles of Incorporation, as duly reviewed with consideration of the results of the Company's performance, future business operating risks, development trends, their participation levels to the Company's business operation and their contribution values to the Company as the rational remuneration. The remuneration to the general manager and vice general manager(s) includes salaries, incentives and remuneration to employees, pursuant to the position titles and responsibilities they assume, with reference to the levels prevalent in the firms and companies in the same industry. The Regulations Governing Salaries and Remuneration to Directors and Managerial Officers and the standards/criteria of their pays have been duly proposed and reassessed on a regular basis every year by the Remuneration Committee before the proposals were submitted to and resolved in the board of directors.

In summation of the aforementioned key points, the Company's policies for remuneration payables to the directors, general manager and vice general manager(s) and the procedures to fix remuneration have been positively linked up with the business performance. The remuneration system has been reassessed pursuant to the business performance and laws and ordinances concerned from time to time to assure a sound balance between the Company's sustainability and risk control.

IV. Company Corporate Governance Operational Status:

(1) Board of Directors Operational Status:

The Board of Directors meetings were held 7 times in the most recent year, and the director attendance records are as follows:

Title	Name	Actual Attendance B	Proxy Attendance	Attendance rate (%) (B/A)	Remarks
Chairman	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang	5	0	100%	Newly appointed after reelection on May 31, 2019. (5 meetings should be attended)
	Hsun-Sheng Wang	2	0	100%	The old post before reelection on May 31, 2019. (2 meetings should be attended)
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun	7	0	100%	Re-elected on May 31, 2019.
Director	The Mr. Wang Min-ning Memorial Foundation representative: Wang Shun-hui	2	3	40%	Newly appointed after reelection on May 31, 2019 (Required to participate in the event five times)
	Hsun-Hui Wang	2	0	100%	The old post before reelection on May 31, 2019. (2 meetings should be attended)
Director	The Mr. Wang Min-ning Memorial Foundation representative: Huang Chung-hsin	7	0	100%	Re-elected on May 31, 2019.
Independent Director	Kuo-Chiang Wang	7	0	100%	Re-elected on May 31, 2019.
Independent Director	Cheng-Hsien Tsai	5	2	71%	Re-elected on May 31, 2019.
Independent Director	Chih-Hsien Chang	7	0	100%	Re-elected on May 31, 2019.

Other remarks:

I. 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:

Board of Directors	Details of the relevant agendas and the subsequent
2019.03.08 (20th Meeting of the 20th Board of Directors)	1. Partial amendments to the “Regulations Governing the Acquisition or Disposal of Assets”.
	2. Partial amendments to the “Regulations and procedures for engaging in derivatives trading”
	3. Partial amendments to the “Operational Procedures for Loaning Funds to Others”.
	4. Partial amendments to the “Regulations Governing of Endorsements/Guarantees”.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution without objection.
2019.05.13 (21st Meeting of the 20th Board of Directors)	A motion to amend "Management over Endorsements/Guarantees," "Management over Loaning of Funds” and such internal control system and internal audit enforcement rules
	Independent director opinions: None.

	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution without objection.
2019.08.12 (3rd Meeting of the 21st Board of Directors)	A motion to amend "Circulation of Real Estate, Plants and Equipment" and such internal control system and internal audit enforcement rules
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution without objection.

(II) 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.

II. 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) On March 8, 2019 the company held (20th Meeting of the 20th) Board of Directors Meeting:
In the motion to discuss remuneration for managerial officers and employees in the Remuneration Committee for Year 2018, Director Huang Chung-Hsin, the representative of Mr. Wang Min-Ning's Memorial Foundation served as the Company's general manager. As required under the Company Act, he quit from the site at his discretion without participating in the discussion and voting process under with avoidance from conflict of interests. The motion was unanimously resolved by all present directors as proposed without an objection.

(2) On August 12, 2019 the company held (3rd Meeting of the 21st) Board of Directors Meeting:
In the motion to discuss a raise for managerial officers in the Remuneration Committee, Director Huang Chung-Hsin, the representative of Mr. Wang Min-Ning's Memorial Foundation served as the Company's general manager. As required under the Company Act, he quit from the site at his discretion without participating in the discussion and voting process in accordance with the conflict of interest provision. The motion was unanimously resolved by all present directors as proposed without an objection.

(3) On December 23, 2019 the company held (5th Meeting of the 21st) Board of Directors Meeting:
We discussed one of the Remuneration Committees in 2019, the chairman and manager of the assessment bonus distribution plan, the chairman of the proposal, the chairman of the consortium, Mr. Wang Minning, the representative of the commemorative foundation, Wang, Hsun-Hui, as the general manager of the company, and the director, Hsun-Hui Wang, representative of Chemical Pharmaceutical Co., Ltd., Sun, Yin-Nan, is a director of the company and has a controlling affiliation with the directors and other parents. It is necessary to avoid leaving the company and not participate in the discussion and voting. The other directors who attended are not dissident photos. The proposal was passed.

III. The Exchange-listed and/or OTC-listed companies should disclose the information of the intervals, period, scope of evaluation, method and contents of evaluation of self-evaluation (or peer evaluation) and shall fill up the performance of implementation by the Board of Directors in the evaluation.

In the Company in January 2020, the unit assigned to take charge of the board of directors meeting affairs completed the evaluation process of the performance by the Board of Directors in 2019. The results of the evaluation indicate that the Board of Directors scored 95.11 points～99.70 points. The results of the performance evaluation for the board of directors in 2019, the Company's Board of Directors, Audit Committee, Remuneration Committee were rated as excellent in performance and the performance evaluation results were already reported to the board of directors meeting convened on March 9, 2020 (The 6th Board of Directors Meeting of Session 21).

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Evaluation performed once a year	January 1 to December 31, 2019	Evaluation of performance by the Board of Directors, individual Board of Directors members, Audit Committee and Remuneration Committee.	Performance evaluation was duly conducted with questionnaire survey sheets on the "Evaluation by Directors about Operation by the Board of Directors," "Participation and Evaluation by Directors," "Evaluation by Committee members about Operations by the Audit Committee," "Evaluation by Committee members about Operation by the Remuneration Committee."	(1) Evaluation on performance by the board of directors: The level of their participation in the Company's operations, the promotion of the quality of decision-making of the board of directors, the composition and structure of the board of directors, the selection and refresher and higher education program of directors and internal control system. (2) The participation and evaluation of directors: Their mastery of Company goals and tasks, recognition and awareness of directors'

					responsibilities, participation in the Company's operations, internal relationship management and communication, professional and refresher and higher education programs for directors and internal control system. (3) Evaluation on the operations by the Audit Committee: participation level in the Company's operations, awareness of audit committee responsibilities, improvement of audit committee decision-making quality, audit committee composition and selection of members, internal control system. (4) Evaluation on operation by the Remuneration Committee: participation level in the Company's operations, awareness of Remuneration Committee responsibilities, improvement of Remuneration Committee decision-making quality, Remuneration Committee composition and selection of members, internal control system.

4. 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.
   (3) In an attempt to implement thoroughly the functions of the Board of Directors, the Company already completed enactment of the Regulations Governing Performance Evaluation of the Board of Directors on June 24, 2019 and would conduct evaluation on an annual basis starting from 2019 and would submit the result to report to the Board of Directors in the first quarter of the ensuing fiscal year.
5. The attendance status of independent directors during the various Board of Directors meetings in 2019. ○: Personal attendance; ＃: Delegation attendance: ＊: Absent

2019	First time	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 Auditing Committee:

The Auditing Committee has convened for 5 times in the latest year (A). The attendance of the independent directors is shown below:

Title	Name	Actual attendance (B)	Proxy Attendance	Attendance rate (%) (B/A)	Remarks
Independent Director	Kuo-Chiang Wang	5	0	100%	Re-elected on May 31, 2019.
Independent Director	Cheng-Hsien Tsai	5	0	100%	Re-elected on May 31, 2019.
Independent Director	Chih-Hsien Chang	5	0	100%	Re-elected on May 31, 2019.

Other remarks:

I. 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:

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

Board of Directors	Details of the relevant agendas and the subsequent
2019.03.08 (20th Meeting of the 20th Board of Directors)	1. 2018 business report and balance sheet draft.
	2. Partial amendments to the “Regulations Governing the Acquisition or Disposal of Assets”.
	3. Partial amendments to the “Regulations and procedures for engaging in derivatives trading”
	4. Partial amendments to the “Operational Procedures for Loaning Funds to Others”.
	5. Partial amendments to the “Regulations Governing of Endorsements/Guarantees”.
	The resolution reached by the Audit Committee (March 8, 2019): 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.
2019.05.13 (21st Meeting of the 20th Board of Directors)	A motion to amend "Management over Endorsements/Guarantees," "Management over Loaning of Funds” and such internal control system and internal audit enforcement rules
	The resolution reached by the Audit Committee (May 13, 2019): 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.
2019.08.12 (3rd Meeting of the 21st Board of Directors)	A motion to amend the internal control system and internal audit implementation rules of the “Real Estate, Plant and Equipment Circulation.”
	The resolution reached by the Audit Committee (August 12, 2019): 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.

(II) 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.

II. 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.

III. 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).

(I) 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.

(II) 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.

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

Date	Key Communication Points	Handle the implementation results
2019.03.08 (Audit Committee)	1. Audit Operation Implementation Report. 2. Submit the 2018 Internal Control System Statement	No objection
2019.05.13 (Audit Committee)	1. Audit Operation Implementation Report. 2 A motion to amend "Management over Endorsements/Guarantees," "Management over Loaning of Funds" and such internal control system and internal audit enforcement rules,	No objection
2019.08.12 (Audit Committee)	1. Audit Operation Implementation Report. 2. A motion to amend the Enforcement Rules for internal control system and internal audit for the "Real Estate, Plant and Equipment Circulation."	No objection
2019.11.12 (Audit Committee)	1. Audit Operation Implementation Report. 2. Submit the 2020 Audit Plan.	No objection
2019.12.18 (Audit Committee)	Audit Operation Implementation Report.	No objection

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

Date	Key Communication Points	Handle the implementation results
2019.03.08 (communications meeting with the unit in charge of corporate governance)	The CPA explained, communicated and updated important regulations on the audit of the 2018 financial report.	No objection
2019.12.18 (communications meeting with the unit in charge of corporate governance)	Explanation and communications by the CPAs about the planning for audit into financial statements of 2019 (including audit plans, key audit elements, independence of the CPAs, etc.).	No objection

IV. The annual work focus of the Audit Committee:

(1) The Audit Committee of the Company consists of three independent directors. The Audit Committee is to assist the Board of Directors in fulfilling the quality and integrity of the Company in supervising the accounting, auditing, financial reporting process and financial control.

The Audit Committee held 5 meetings in 2019, and the matters under consideration mainly include:

- Financial Statements;
- Audit and accounting policies and procedures;
- Internal control system and related policies and procedures;
- Material assets or derivative transactions.
- Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies
- Raising, issuing or privately offering securities with the nature of equity shares issued by a company;
- Legal Compliance;
- The independence, appointment, dismissal or remuneration of certifying certified public accountant;
- Appointment and dismissal of financial, accounting or internal audit supervisors.

(2) Review of financial reports

The board of directors submitted the company's 2019 business report, financial statements (consolidated and individual financial statements) and Earnings Distribution. The above business report, financial statements (including individual and consolidated financial statements) and the surplus distribution proposal were checked by the Audit Committee and it is considered that there is no discrepancy.

(3) The company will assess the effectiveness of the internal control system.

The Audit Committee evaluates the effectiveness of the company's internal control system policies and procedures (including financial, operational, risk management, information security, outsourcing, compliance, etc.) and reviews the company's audit department and certifying certified public accountant, as well as management's regular Reports, including risk management and compliance. The Audit Committee believes that the company's risk management and internal control systems are effective and that the company has adopted the necessary controls to monitor and correct violations.

(4) Appointment of certifying certified public accountant

In order to ensure the independence of the certifying certified public accountant, the Audit Committee regularly establishes an independent evaluation form based on the content of "the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 Integrity, Objectivity and Independence", on the independence, profession and competency assessments to evaluate whether they are related to the company, mutual business or financial interests. On November 12, 2019, in the 2nd Meeting of the 2nd Audit Committee and in the 4th Meeting of the 21st Board of Directors, the independence of PWC Certified Public Accountant Firm, Zhang Shuqiong and Yu Shufen, was innocent.

(5) Operation report in the current year

Board of Directors	Details of the relevant agendas and the subsequent
2019.03.08 (20th Meeting of the 20th Board of Directors)	1. 2018 business report and balance sheet draft.
	2. 2018 Earnings Distribution.
	3. Partial amendments to the "Regulations Governing the Acquisition or Disposal of Assets".
	4. Partial amendments to the "Regulations and procedures for engaging in derivatives trading"
	5. Partial amendments to the "Operational Procedures for Loaning Funds to Others".
	6. Partial amendments to the "Regulations Governing of Endorsements/Guarantees".
	7. The "2018 Internal Control System Statement" Submission Case.
	8. additional budget for AMG-416 process expansion equipment procurement
	The resolution reached by the Audit Committee (March 8, 2019): 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.
2019.05.13 (21st Meeting of the 20th Board of Directors)	1. The consolidated financial statements of the Company in the first quarter of 2019.
	2. A motion to amend "Management over Endorsements/Guarantees," "Management over Loaning of Funds" and such internal control system and internal audit enforcement rules,
	3. A motion to dissolve CCSB Holding Co. Ltd. and to liquidate Suzhou China Chemical Synthetic Biotechnology Co., Ltd.
	4. The investment into equipment for the fermentation capacity improvement of the 07 District of the GMP factory.
	The resolution reached by the Audit Committee (May 13, 2019): 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.
2019.08.12 (3rd Meeting of the 21st Board of Directors)	1. The consolidated financial statements of the Company in the second quarter of 2019.
	2. A motion to amend the Enforcement Rules for internal control system and internal audit for the "Real Estate, Plant & Equipment Circulation."
	The resolution reached by the Audit Committee (August 12, 2019): 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.
2019.11.12 (4th Meeting of the 21st Board of Directors)	1. The consolidated financial statements of the Company in the third quarter of 2019.
	2. The CPA Independence and Suitability Assessment Case.
	3. The 2020 audit plan.
	The resolution reached by the Audit Committee (November 12, 2019): 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.
2019.12.23 (5th Meeting of the 21st Board of Directors)	Additional budget for the fermentation capacity improvement of the 07 District of the GMP factory. ◦
	The resolution reached by the Audit Committee (December 18, 2019): 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.

(III) How The Company's actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why:

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
1. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?	V		The Company has established its "Best Practice Principles for Corporate Governance", which was adopted by the Board of Directors on November 12, 2014 (the tenth Meeting of the 19th Board of Meeting), and on March 8, 2019 (the 20th Meeting of the 20th Board of Meeting) the board of directors passed the latest revision and it was disclosed on the Market Observation Post System and the Company website.	None
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?	V		(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.	None
(2) Will the Company possess the list of the Company's main shareholders and the list of the ultimate controllers of the major shareholders?	V		(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, managers, and major shareholders holding over 10% of company shares regarding any share related anomalies.	
(3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V		(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) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		(4) The company has established the "Major Internal Information Processing Operations Procedures," which provided that the directors, managers, and employees shall 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	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			not obtained due to the execution of job duties. From time to time, the company conducts educational propaganda for directors and managers on the "Management Procedures for the Prevention of Insider Trading" and related laws and regulations, and educates new servants on pre-service training. As of December 31, 2019, there were a total of 19 echelons for pre-employment training programs for newly hired employees, with a total of 31 participants, including notably educational publicity toward the incumbent directors and managers conducted on January 9, April 15, July 10 and October 5, 2019, respectively, with key contents inclusive important information confidentiality operations and key points for attention related to the prevention of insider transactions; in addition, the "Internal Major Information Processing Procedures" and other related measures have been placed onto the Company's Internet platform and the Company's website accessible to employees and external personnel to refer to at any time.	
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?	V		1. The Company has adopted the "Procedures for Election of Directors and Supervisors" and "Best Practice and Principle for Corporate Governance" and taken diversity into consideration in determining the composition of the board of directors. To implement the diversity of the board of directors of the Company, the directors of the Company are based on professionalism and dedication. As expressly provided for in Article 20 of the Company's "Corporate Governance Best-Practice Principles" (The overall capabilities required for the Board of Directors): The Board of Directors shall be organized in a diversified, comprehensive and multifaceted manner. The directors concurrently serving as the Company's managerial officers shall not exceed one-third of the total number of director seats. Besides, toward the board of directors' operations, operating style and requirements in development, the Company should work out diversified, comprehensive and multifaceted policies which should include standards/criteria of the two major aspects below: 1. Basic conditions and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: Professional background (such as, law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience. The members of the Board are disciplined with the kinds of knowledge, skills, and education necessary for their performance of professed duties. The Board shall be capable of performing the following for achieving the goal of corporate governance: 1. Operating judgment. 2. Accounting and financial analysis. 3. Management capability. 4. Crisis management capabilities. 5. Industry knowledge.	Except for the fact under Paragraph 2 which shall be set up as the actual requirements may justify, all others show no difference from the requirements.

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>6. International market viewpoint.
7. Leadership capability.
8. Decision-making ability.
In the current Board of Directors of the Company, the independent directors account for 43% of the total director seats, with 2 directors in the ages within 61~70 range, 4 directors in 51~60 age range, 1 director in 25~30 age range. The directors concurrently serving as the Company's managerial officers account for 14% (not beyond one-third of the total number of director seats). Among directors, Director Wang Kuo-hiang holds license of the internal auditor of the Republic of China, Director Chang Chih-Hsien is a licensed securities investment analyst, personnel of Taiwan Investment Consultation Co., Ltd., with license(s)/certificate(s) of Life Insurance Managerial Specialist in both Taiwan and the United States; Director Tsai Cheng-Hsien holds the expertise in biotechnology management and operation. All members of the Board of Directors have been experts in finance and banking, commerce, management, mass media, biotechnology and securities investment fields, with proficient experiences and expertise to boost the diversified development of the Board of Directors.
The Company highly stresses on the diversity of the composition of the board of directors and the gender equality among the composition of the board of directors. The target of the ratio of female directors is 14% or more. At present, the total of 7 directors includes female director, at the ratio of 14% of the total. .
The composition diversity of the Board of Directors is as follows:
<table>
<tr><th rowspan="2">Diversified core projects
Name of director</th><th rowspan="2">Gender,</th><th rowspan="2">R.O.C.</th><th colspan="6">Industrial experience</th><th colspan="5">Professional skills</th></tr>
<tr><th>Pharmaceutical biotechnology</th><th>Mass media.</th><th>Technology</th><th>Securities</th><th>Accounting audit</th><th>Asset Management</th><th>Financial Accounting</th><th>Risk Management</th><th>operating strategy</th><th>Securities</th><th>Banking and insurance</th></tr>
<tr><td>Hsun-Sheng Wang</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td></td><td></td><td></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>V</td><td></td><td></td><td></td><td></td><td></td><td></td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Chung-Hsin Huang</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td></td><td></td><td></td><td></td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Hou-Jie Wang</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td></td><td></td><td></td><td></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>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Cheng-Hsien Tsai</td><td>Male</td><td>V</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Chih-Hsien Chang</td><td>Female</td><td>V</td><td></td><td></td><td></td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
</table></td><td></td></tr>
<tr><td>(2) Will the Company, in addition</td><td></td><td>V</td><td>(2) So far the Company has duly set up the Remuneration Committee and Audit Committee. As the actual</td><td></td></tr>
</table>

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?			requirements may justify in the future through prudential appraisal, the Company will set up other functional committees.	
(3) Has the Company formulated "The Procedures for the Company's Board Performance Evaluation" and evaluation method, conducted a performance evaluation annually and regularly, reported the results of the performance evaluation to the Board of Directors, and applied it for reference in determining individual director's remuneration and nomination for renewal?	V		(3) The Company's Board of Directors duly passed "Regulations Governing and Procedures for the Board of Directors in Self-Evaluation and Peer Evaluation." The scope covered in the evaluation includes the performance evaluation overall for the board of directors, individual board members and functional committees. The methods of evaluation include internal self-evaluation by the Board of Directors, self-evaluation by directors themselves, peer evaluation, performance evaluation through outsourced professional institutions, experts and other means as appropriate. The evaluation intervals are: Routine evaluation internally in the Board of Directors. The results of the performance evaluation would be reported in the board of directors meeting before closure of the first quarter of the ensuing fiscal year. The results of the performance evaluation for the Board of Directors would function as the reference grounds for selection and nomination of directors. The results of the performance evaluation for the individual directors would function as the reference grounds for their salaries and remuneration. The items for measurements among the performance evaluation for the Company's Board of Directors include five major aspects as enumerated below: 1. Level of their participation in the Company's business operation. 2. Performance in upgrading the Board of Directors' quality in policymaking process. 3. Composition and structure of the Board of Directors. 4. Election and refresher and higher education program for directors. 5. Internal control. The items for measurements among the performance evaluation for the Board of Directors members include five major aspects as enumerated below: 1. Mastery of the Company's targets and missions. 2. Awareness of the directors' responsibilities and powers. 3. Level of their participation in the Company's business operation. 4. Management and communications of internal relationship. 5. The directors' expertise and continued refresher and higher education programs 6. Internal control. The items for measurements among the performance evaluation for the functional committees include five major aspects as enumerated below as the minimum: 1. Level of their participation in the Company's business operation. 2. Awareness of the responsibilities and powers of the functional committees.	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		3. Performance in upgrading the policymaking quality of the functional committees. 4. Composition of the functional committees and selection of the members 5. Internal control. In the Company, the unit assigned to take charge of the meeting affairs in the Board of Directors completed the performance evaluation for the breakdown for 2019 in January 2020. In 2019, the performance evaluation was conducted by means of internal questionnaires through four major aspects, *i.e.*, business operation of the Board of Directors, level of participation by directors, business operation by the Audit Committee and Remuneration Committee, through evaluation by directors about performance by the Board of Directors, evaluation by directors about their level of participation, evaluation by Audit Committee about the committee performance and evaluation by the Remuneration Committee about the committee performance. The results of performance evaluation range between 95.11 points～99.70 points. The results of the performance evaluation over the Board of Directors in 2019 indicate excellent performance by the Company's Board of Directors, Audit Committee and Remuneration Committee. The evaluation results were already reported to the board of directors meeting convened on March 19, 2020 (The 6th meeting of Session 21). In an attempt to enhance the level of corporate governance, the Company will continuously strengthen based on the evaluation results of the performance by the Board of Directors in 2019 to augment the effectiveness of corporate governance. (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. In Year 2019, in evaluation into attribute of independence conducted by the second Audit Committee meeting on Session 2 and by the Board of Directors in the fourth meeting of Session 21 on November 12, 2019, the results indicate that both have proved satisfactory to the standards/criteria required for independence in certified public accountants.	
4. Have the Exchange-listed and/or OTC-listed companies staffed eligible corporate governance staff in an appropriate number and appointed the corporate governance head to take charge	V		Here at the Company at present, the Department of Finance has been appointed to concurrently take charge of corporate governance affairs, handle issues linked up with the board of directors and shareholders' meeting, help the directors take office, complete continued refresher and higher education programs and law compliance, provide the directors' internal personnel with the supporting data required to implement business affairs, to carry out the primary responsibilities and powers as enumerated below: 1. To function as the unit assigned to take charge of the meeting affairs for the Board of Directors and	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
of corporate governance related affairs (including but not limited to the support to provide the supporting data required for the directors and supervisors in the implementation of business affairs to help directors and supervisors in law compliance and in handling issues linked up with the Board of Directors and shareholders' meeting according to law, production of the minutes of the Board of Directors' Meeting and shareholders' meeting)?			functional committees, including assembling of the agendas of the meetings with express terms of the reasons to convene the meeting, serving the same by mail to all directors and Committee members seven days prior to the date scheduled for the meeting, providing adequate information and data to enable all participants to be well aware of the meeting related information: Where the contents of the agenda are found linked up with interested parties, the Department of Finance would remind such interested parties about recusal from conflict of interests beforehand and would, meanwhile, produce and mail the required minutes to all directors and Committee members. 2. To assume the responsibilities to distribute significant information or public announcements regarding the decisions resolved in the meeting after the meeting to assure that all disclosed information would be lawful and accurate to, in turn, assure equivalency of transaction information to investors. 3. To handle pre-meeting registration for the date scheduled for the shareholders' meeting, work out notices to the meeting, Meeting Agenda Handbook, annual report and minutes and to declare the same within the specified time limit. 4. To handle alteration registration for various business operations of the Company. 5. To enhance the efficiency of the board of directors' operations, the Department of Finance would conduct performance evaluation on an annual basis and submit the performance evaluation results to the board of directors meeting convened in the first quarter of the ensuing fiscal year. 6. To evaluate and purchase appropriate "Liability insurance policy for directors and key staff members" with appropriate coverage to complete the insurance process and further report the contents of the policy to the board of directors. 7. To, from time to time on a non-scheduled basis, provide directors with relevant information for continued refresher and higher education programs, to complete the continued refresher and higher education programs and complete the declaration process in accordance with the "Guiding Directions for Continued Refresher and Higher Education Programs for Directors and Supervisors of Exchange-listed and/or OTC-listed Companies." 8. To provide business and finance-related operating information in response to the needs of directors to assure sound communications among the directors and department heads.	
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	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 has set up through its own website the special zone for interested parties and corporate social responsibility (CSR) readily accessible to the interested parties and general public and to disclose the issues which the interested parties would be concerned about and the communications information for interested	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
appropriately to the important corporate social responsibilities concerned by the stakeholders?			parties. It is hoped that through such efforts, the transparency, timeliness and interactivity will be strengthened to help the Company better understand the issues of concern to stakeholders and respond appropriately. The company has issued corporate social responsibility reports every year as one of the key efforts to further disclose corporate social responsibility. The key issues within the concern of the interested parties (stakeholders) and methods of communications are shown through Table (Note 2). The performance of communications with interested parties (stakeholders) is reported to the board of directors on a regular basis every year. The performance in communications was reported to the board of directors on June 24, 2019 (The 2nd meeting of Session 21) and December 23, 2019 (The 5th meeting of Session 21) for Year 2019.	
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 update the latest major financial and business information such as stock information, revenue statistics, financial 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 that is responsible for external communication.	None
(3) Has the Company announced and declared its financial report within 2 months after the end of the fiscal year, and		V	(3) Exactly as required under the "Issues to be handled by the issuers of listed negotiable securities of Exchange-listed and/or OTC-listed companies," the Company at present declares the financial statements and monthly business performance in real time but does not yet conduct public announcement and declaration of the annual financial statements within two months from closure of a fiscal year.	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
announced and declared the quarterly financial report of Q1, Q2, and Q3 and the monthly business report before the deadline?				
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 communications 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 firmly safeguard shareholders' equity and enable the public investors to become well aware of the Company's business performance, the Company has duly disclosed relevant information through the Market Observation Post System (MOPS) as required in real time and further set up the "Special Zone for Investors" through the Company's website to update a variety of financial and business information on a regular basis readily accessible to investors. Moreover, through convening shareholders' meeting, juristic person explanation meeting and spokesman mechanism, the Company puts forth maximum possible efforts for sound communications with investors. 4. Supplier relations: The Company has maintained very close and sound ties with key suppliers and conducted supplier evaluation on a regular basis. 5. The Rights of Stakeholders: The company has established a Stakeholders area in its website and created the handling window for the Investors area. 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 employed	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			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" in 2019 and the information is disclosed in the Market Observation Post System. 7. Risk management policies and risk assessment standards: The Company conducts very strict control in terms or risk management. According to law, the Company has duly enacted very stern internal control system. The Company's internal auditors would audit the performance in implementation and submit reports either on a regular basis or from time to time on a nonscheduled basis. In the financial aspect, the Company adopts rational hedging measures against the exchange rate fluctuation to minimize potential risks and check and verify the financial structures in real time to prevent potential too high risks. The Company would adopt rational hedging measures to minimize risks to minimize potential risks and check and verify the financial structures in real time to prevent potential exposure to high risks. 8. Customer policy implementation: Through the Quality Assurance Division and Business Department, the Company renders customer complaint and grievance services and after-sales services, rendering relevant services and guarantees toward customers in transactions. 9. Status of director liability insurance purchased by the company: Since August in 2016, the company has continued to ensure all directors have liability insurance to protect shareholders' equity; in 2018 liability insurance has been renewed (including the amount of insurance, coverage and insurance rates) and reported on August 12, 2019 (3rd Meeting of the 21st Board of Meeting) to the Board of Directors.	

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
Will the company be disclosing its annual financial reports on the Market Observation Post System in English before the 7th meeting of the shareholders' meeting?	The Company already uploaded and disclosed annual report in English version 7 days prior to May 31, 2019, the date scheduled for shareholders' regular 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

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
Have the Regulations Governing Performance Evaluation by the Board of Directors enacted by the Company been duly resolved in the Board of Directors, with express requirements to conduct an outsourced evaluation every three years and conduct performance evaluation in the intervals as required under the Regulations and further disclosed the implementation and evaluation results into the Company's website or annual report?			On June 24, 2019, the "Regulations Governing the Self-Evaluation by the Board of Directors or Peer Evaluation" were officially resolved in the Company's Board of Directors whereunder, the Board of Directors shall conduct one performance evaluation as the minimum about the performance by the Board of Directors, member directors, Audit Committee and Remuneration Committee. In terms of internal evaluation, the Company conducts performance evaluation in accordance with the Regulations at closure of every fiscal year. The result of performance evaluation would be reported to the board of directors meeting convened in the first quarter of the ensuing year. The Company already, starting from Year 2019, conducts performance evaluation of the Board of Directors. The performance evaluation result was already reported to the board of directors meeting convened on March 9, 2020 (The 6th meeting of Session 21) and further disclosed into the Company's website or annual report.	

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 key issues within the concern of the interested parties (stakeholders) and methods of communications are shown through the Table. The performance of communications with interested parties (stakeholders) is reported to the board of directors on a regular basis every year. The performance in communications was reported to the board of directors on June 24, 2019 (The 2nd meeting of Session 21) and December 23, 2019 (The 5th meeting of Session 21) for the Year 2019.

The interested party	Communication Channel/Format	Communication Frequency	Concerned Topics	Performance in communications
Investors	1. Annual Shareholders Meeting 2. Company website and Market Observation Post System 3. Investor Hotline	1. Once a Year 2 Irregularly, Anytime 3 Irregularly, Anytime	Business performance Legal Compliance Risk Management	1. Through the shareholders' meetings, juristic person explanation meetings and Market Observation Post System (MOPS), the Company pro-actively reports to the shareholders and investors about the updates regarding the Company's business performance and financial condition. 2. The Company keeps shareholders and investors closely informed through the methods of communications with the Company via the Special Zone of Investors and Special Zone for Interested Parties (Stakeholders) who may inquire with the Company all the time. 3. The Company convened the shareholders' regular meeting on May 31, 2019 to report to investors about the Company's business performance. 4. The Company convened the juristic person explanation meetings on June 28 and November 27, 2019, respectively.
Employee	1. Labor Conference 2. Employee Welfare Committee 3. President Mailbox 4. Company Bulletin Board 5. Company Website	1. Four Times a Year 2. At Least Once a Quarter 3. Irregularly 4. Irregularly 5. Irregularly	Legal Compliance Ethics and Morality R&D Innovation Product Management Business ethics	1. In 2019, the Company convened four labor-management conferences on March 29, June 27, October 1 and December 31, respectively. 2. The medical care service personnel in coordination with the Chia Hsin Health Management and Consultation Co., Ltd. come to our plants to render on-the-spot health consultation services to our staff members on a regular basis. 3. In 2019, Lien An Clinic and Po Ren General Hospital rendered health examinations, specific operations-oriented health examinations, on-the-job health examinations for a total of 294 employees, specific health examinations (oriented to employees as users of specific chemicals) for a total of 57 employees. 4. For the entire year 2019, no employee grievance case was ever recorded.
Supplier	1. Supplier Visits and Certification Audits 2. Supplier Satisfaction Survey 3. Telephone or Email Communication	1. Irregularly 2. Irregularly 3. Irregularly	Supply Chain Management Risk Management Raw material management Product Management Occupational Safety	1. The efforts to support suppliers in verification through quality management system to firmly control the use of raw materials and materiel to, in turn, assure that the provided products would satisfy the required standards/criteria. 2. On a regular basis every year, we'd visit key suppliers. In 2019, we conducted on-the-spot surveys and visits

The interested party	Communication Channel/Format	Communication Frequency	Concerned Topics	Performance in communications
			Business ethics	to 9 suppliers. 3. On an annual basis, we conduct one supplier appraisal. The supplier appraisal results of 2019 indicate that there were no suppliers of medium and high level risks among the 222 suppliers. The Company was, therefore, not required to conduct an audit. Still, nevertheless, we visit suppliers from time to time to maintain continued interactions and to extend our concern for better understanding.
Customer	1. Customer Visits and Certification Audits 2. Corporate Website, Telephone, and Email Communication	1. Irregularly 2. Irregularly	Legal Compliance Ethics and Morality Risk Management R&D Innovation Raw material management Industrial Safety Business ethics	1. In June 2019, we successfully fulfilled the official French factory verification. 2. Participation in exhibitions in 2019: (1) DCAT NYC：2019/3/18~2019/3/21 (2) CPhI China：2019/6/18~2019/6/20 (3) CPhI European API Exhibition: 2019/11/5 ~ 2019/11/7 3. In 2019, successful completion of factory verification for 20 customers without any significant faults. 4. We collected customer feedbacks, resolved problems and replied to them in real time.
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	1. Irregularly 2. Released According to Regulations 3. Irregularly 4. Irregularly	Legal Compliance Risk Management Emergency Response Mechanism	1. We declared a variety of information in real time as required by law. 2. From time to time on a non-scheduled basis, we participated in the forums, publicity and dissemination programs and seminars under the auspices of competent authority(ies).
Bank	1. Document Exchanges and Telephone Communications 2. Personal Visits 3. Company Website	1. Irregularly 2. Irregularly 3. Irregularly	Business performance Legal Compliance Risk Management Business ethics	We maintain very sound and close ties with information exchanges with correspondent banks on a regular basis.
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	1. Irregularly 2. Irregularly	Raw material management Pollution Prevention and Discharge Industrial Safety Occupational Health and Hygiene Emergency Response Mechanism	1. We adopted the Shuolin Longevity Parent-Child Park, and donated NT$500,000 y in 2019. 2. In 2019, the Company sponsored China Chemical and Pharmaceutical Caring Association's air-conditioning equipment with a NT$66,000 donation. 3. Firefighting and poison-prevention drills are conducted every six months. In 2019, one drill was held on May 24 and the other on November 21, respectively, with a total of 67 participants.

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

1. Professional qualification and independence status of the Salary 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 in commerce, law, finance, accounting or subjects required by the business of the company in pubic or private colleges or universities	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		
Independent Director	Cheng-Hsien Tsai	—	—	V	V	V	V	V	V	V	V	V	V	V	3	
Independent Director	Kuo-Chiang Wang	V	—	V	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	V	V	None	

Note 1: Each member who meets the following conditions in the two years before the election and during the term of office shall be marked with "✓" in the space corresponding to each requirement code.

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

(2) Not a Director, Supervisor of the Company or its affiliate (except those holding the positions of Independent Directors of The Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(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 third degree of kinship, of any of the managers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).

(5) Not a Director, Supervisor or employee of the institutional shareholder who directly holds more than 5% of the outstanding shares issued by the Bank, is among the top 5 shareholders, or appoints representatives to assume positions as Directors of Supervisors of the Company under Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (except those holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(6) Not a Director, Supervisor of employee of a third-party company held by the same person who also holds the seats of Directors of the Company or more than half of the voting shares (except those holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(7) Not a Director, Supervisor, or employee of a third-party company or institution or the spouse of a Director, Supervisor, or employee of a third-party company or institution who also holds the position of Chairman, General Manger, or similar position (except those holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(8) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the shares of a particular company or institution having financial and business transactions with the Company (except such particular company or institution which holds more than 20% but less than 50% of the shares issued by the Company, and holds a position as Independent Director of the Company who also acts as Independent Director of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).

(9) Not an owner, partner, Director, Supervisor, Manager or spouse to the owner, partner, Director, Supervisor, Manager of a professional, sole proprietor, partnership, company or institution providing audit service for the Company or its affiliates, or who has received remunerations of less than NT$500,000 in accumulation over the last 2 years, Except, however, the Remuneration Committee, Public Acquisition Review Committee or Special Mergers & Acquisition Committee that perform responsibilities and powers in accordance with the Securities and Exchange Act, Business Mergers and Acquisitions Act and laws and ordinances concerned.

(10) Does not meet any descriptions stated in Article 30 of the Company Act.

2. Compensation Committee Operating Status Information:
   (1) The Remuneration Committee of the Company is consisted of 3 persons.
   (2) Current term of office: May 31, 2019 to May 30, 2022. The most recent Compensation Committee has held 3 meetings (A), and the member qualifications and attendance records are as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)	Remarks
Convener	Cheng-Hsien Tsai	3	0	100%	May 31, 2019, re-election for directors with Committee members reelected.
Members	Kuo-Chiang Wang	3	0	100%	May 31, 2019, re-election for directors with Committee members reelected.
Members	Chih-Hsien Chang	3	0	100%	May 31, 2019, re-election for directors with Committee members reelected.

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.
3. Matters in connection with the official powers of the Remuneration Committee:
   The Committee shall exercise the care of a good administrator to faithfully perform the following duties, being responsible and reporting to the Board, and presenting its recommendations to the board of directors for discussion.
   (1) The Committee will establish and periodically review the annual and long-term performance goals for the directors, and managerial officers of this Corporation and the policies, systems, standards, and structure for their compensation.
   (2) Periodically evaluate and prescribe the remuneration of directors, and managerial officers.
4. The operation of the remuneration committee:

Remuneration Committee	Details of the relevant agendas and the subsequent
2019.03.08 (12th Meeting of the3rd Board of Directors)	1. Proposal for the remuneration of managers and employees in 2018.
	2. Proposal on the remuneration of directors in 2018.
	The results of the resolution of the Remuneration Committee: All members of the Remuneration Committee agreed to adopt.
	The company will deal with the opinions of the Remuneration Committee: We will submit their opinions to the board of directors, and approved by all the attending directors.
2019.08.12 (1st meeting of the 4th term)	Manager Remuneration Adjustment.
	The results of the resolution of the Remuneration Committee: All members of the Remuneration Committee agreed to adopt.
	The company will deal with the opinions of the Remuneration Committee: We will submit their opinions to the board of directors, and approved by all the attending directors.
2019.12.18 (2nd meeting of the 4th term)	1. The Regular Review for the Director and Manager Remuneration Methods and Payment Standards.
	2. The Proposal for 2019 Chairman and Manager year-end performance review bonus.
	The results of the resolution of the Remuneration Committee: All members of the Remuneration Committee agreed to adopt.
	The company will deal with the opinions of the Remuneration Committee: We will submit their opinions to the board of directors, and approved by all the attending directors.

(V) Performance in corporate social responsibility (CSR) and the differential gap from the Corporate Social Responsibility Best-Practice Principles for TSEC/GTSM Listed Companies and the reasons:

<table>
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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>1. Has the Company conducted risk evaluation based on significant principles toward the environments, society linked up with the Company's business operations and corporate governance issues and, in turn, enacted relevant risk management policies or strategies?</td><td>V</td><td></td><td>Here at the Company, the “CSR Committee” was established in 2014, duly divided by functions into corporate governance task force, customer care task force, employee care task force, sustainable environment task force, social welfare task force and executive task force. The committee members communicated with stakeholders and followed the principle of corporate social responsibility with sustainable development into the materiality analysis process of relevant issues, identifying the materiality issues such as "corporate governance (including law compliance and economics)," "environment" and "society" and conducting risk assessments on important issues to determine relevant risks assessment to work out risk management policies or strategies as enumerated below:
<table>
<tr><th>Significant issues</th><th>Items for risk assessment</th><th>Risk management policies or strategies</th></tr>
<tr><td>Corporate Governance</td><td>Law compliance and economy</td><td>1. Here at the Company, the Department of Finance concurrently takes charge of corporate governance with all corporate governance-related issues to enhance information transparency and law compliance. It set up an audit office under the board of directors to implement the internal control mechanism to ensure that all personnel and operations of the Company would truly comply with the relevant laws and regulations.
2. To collect information on laws and regulations prevalent at home and abroad and changes thereof to work out the right countermeasures in real time.
3. Here at the Company, greenhouse gas emissions have not been included in the regulated implementation and thus there is no need to disclose relevant information on a regular basis. The Company, nevertheless, still pro-actively conducts its own greenhouse gas inventory for Category 1 and Category 2 each year and continues to pay attention to changes in domestic and foreign laws and regulations to make sure of the trends and respond accordingly before it becomes too late.
4. The Company, as an excellent API manufacturer, has successively passed cGMP API Plant, cGMP biotechnology factory, cGMP pilot factory and has further passed official inspections verification in Taiwan, the United States, the European Union and Japan and the Company's cGMP plant equipment has been checked and approved by many manufacturer audit processes. The Company's products well</td></tr>
</table></td><td>None</td></tr>
</table>

Assessment items	Actual governance					Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description			
					satisfy standards/criteria prevalent in the international community. As of December 31, 2019, the Company has been granted a total of 17 pharmaceutical licenses with a total of 18 products having completed the DMF of the drug substance master file applied for registration by the US Food and Drug Administration. 5. Strategies to diversify procurement risks. The Company mainly maintains two or more suppliers for the key raw materials in order to diversify procurement risks. On a regular basis, we assess the best inventory plan, evaluate raw materials inventory all the time and avoid supply being affected by extreme climate conditions to carry out process safety management and ensure safety operation. 6. All properties of the Company have been well insured to prevent a potential impairment in case of larceny or disaster to assure absolute asset safety.	
				Environment	1. Stringent water resources. 2. Inadequate power supply. 3. Rising greenhouse gas emission	1. To strengthen water resources management and reuse and further strengthen water supply system management. 2. To replace and renew outdated equipment, improve operating efficiency and promote various energy-saving projects, *e.g.*, replace old equipment, install inverters to replace water-saving, low-power consumption and energy-saving equipment and the like. 3. To continuously promote energy conservation and carbon reduction, switch to low-pollution fuels and replace heavy oil boilers with natural gas boilers. The energy conservation measures implemented in 2019 were reducing energy consumption by 244,796 points, and reduce the total carbon emission by 128,575 kg.	
				Society	1. Industrial security and emergency countermeasures mechanism 2. Negative response from interested parties (stakeholders) 3. Employee health	1. The efforts to strengthen the education of work safety awareness. On a regular basis, the Company holds fire drills and poisonous substance disaster prevention drills every six months to cultivate the employees' emergency response capacity and minimize occurrence of disasters. 2. Efforts to set up methods for sound communications with interested parties (stakeholders). 3. The Company is committed to providing employees with a safe and healthy workplace. The Department of Safety and Health is responsible	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			for regularly organizing safety education and training programs and related lectures every year, including fire protection, public safety facilities and overall review of public safety. On a regular basis every year, the Company conducts occupational health checks. The medical staff from special medical institutions are assigned to visit the factory regularly to render health consultation services for entire staff of the Company.	
2. 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		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. By the respective functions, the Company separately sets up corporate governance task force, customer care task force, employee care task force, sustainable environment task force, social welfare task force and executive task force . Those task forces are composed of cross-department members including the general manager's office, finance and accounting, human resources, management, business, materials and supplies, quality assurance, manufacturing, safety and health and auditing units. The respective department heads are responsible for the promotion of the tasks of each group and regularly report on the implementation status to the board of directors on a regular basis every year. The facts about operations and implementation of corporate social responsibility (CSR) were reported to the board of directors in 2019, say, on June 24, 2019 (The 2nd board meeting of Session 21) and December 23, 2019 (The 5th board meeting of Session 21).	None
3. Environmental Issues (1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		(I) In an attempt to effectively minimize energy costs, the Company established an "Energy Management System Promotion Committee" to promote energy-saving and carbon-reduction-related work in the plants. Through the management and control of the management system and the implementation of the Energy Conservation Committee, the Company successfully achieves energy conservation, carbon reduction with continuous improvement. The Company's Shanchia factory introduced the energy management system ISO 50001 and passed the external audit verification of the British Standards Institution (BSI) (valid 2016.11.28 ~ 2019.11.27). The company also carries out cleaning and recycling of waste according to the “business waste disposal cleaning plan” and follows the environmental regulations of the competent authority to handle all related matters.	None
(2) Is the Company committed to enhance the utilization efficiency of resources and use	V		(2) 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 sumer, 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	

<table>
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<tr><td>renewable materials that are with low impact on the environmental?
(3) Does the Company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues?</td><td>V</td><td></td><td>targets.

(3) The impact of global climate change is becoming increasingly obvious which not only causes various extreme climates, but also impacts the habitats and living conditions of animals and plants. The climate change might lead to a disaster by nature and a direct impact upon the Company's business operation. Besides, it may further cause indirect effects, e.g., rising raw materials prices or supply interruptions and might more seriously affect various economic and social activities of all people. Faced with global climate, economy, finance, oil prices as well as politics, the Company is subject to increasingly complicated challenge in its business operation. Therefore, the company tries to recognize the related risks that may affect the sustainable development of the enterprise from daily operations, and formulates relevant management strategies and corresponding measures to minimize the risks with potential interruption against business operation. Here at the Company, we shall work hard for customers, shareholders, employees and communities and other stakeholders to continuously create economic, environmental and social sustainable values. The Company's risk management in response to climate change is as enumerated below:
<table>
<tr><th>Aspect of consideration</th><th>Climate related risks</th><th>Climate related opportunities</th><th>Substantial performance in 2019</th></tr>
<tr><td>Laws and regulations</td><td>1. Carbon tax collection

2. Mandatory requirements in emission report</td><td>1. The Company collects environmental protection related information and information of changes in laws at home and abroad and, in turn, work out countermeasures accordingly.

2. To investigate into the facts linked up with greenhouse gas emission and energy</td><td>1. To carry out a variety of energy conservation plans, with implementation of energy conservation measures in 2019, conserving a total of 244,796 KW power consumption and reducing 128,576 kg in total carbon emission in total.
2. The Company's greenhouse gas emissions have not been included in the regulated industry and there is no need for the Company to disclose relevant information on a regular basis. The Company, nevertheless, still performs its own greenhouse gas inventory for category 1 and category 2 each year and</td></tr>
</table></td><td></td></tr>
</table>

Assessment items	Actual governance						Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description				
					consumption.	continues to pay attention	
						to the updates of laws and regulations prevalent at home and abroad to look into the trends and work out countermeasures before it is too late.	
				Economies	1. Interruption in business operations 2. Pecuniary loss	1. Strategies to diversify procurement risks and regularly review the optimal inventory plan. 2. Security for assets	1. For key raw materials and materiel, the Company maintains two or more suppliers in most cases to diversify potential risks. We watch and estimate inventory volume of raw materials and materiel all the time to prevent a potential impact upon the supply by extreme climate and further carry out manufacturing process safe management to assure sound and secured business operation. 2. All properties of the Company have been well insured to prevent a potential impairment in case of larceny or disaster to assure absolute asset safety.	
				Environment	1. Stringent water resources. 2. Inadequate power supply. 3. Rising greenhouse gas emission	1. To strengthen water resources management and reuse and further strengthen water supply system management. 2. The efforts to phase out outdated equipment to maximize operating efficiency. 3. To continually carry out energy savings and	1. To launch publicity on water consumption conservation: With use of water-conserved toilets. 2. To carry out a variety of energy conservation plans, *e.g.*, the efforts to phase out and renew outdated equipment, install converters (frequency changers), replace into water conserving equipment, energy conserving equipment with low heat consumption and such devices.	

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<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td></td><td>carbon reduction.</td><td>3. To continuously promote energy conservation and carbon reduction, switch to low-pollution fuels and replace heavy oil boilers with natural gas boilers. The energy conservation measures implemented in 2019 were reducing energy consumption by 244,796 points, and reduce the total carbon emission by 128,575 kg.</td></tr>
<tr><td>Society</td><td>Industrial goodwill</td><td>To set up very intimate and close communications ties with interested parties (stakeholders).</td><td>To actively respond to the needs from interested parties (stakeholders).</td></tr>
</table>
</td><td></td></tr>
<tr><td>(IV) Has the Company kept statistics on the greenhouse gas emission volume, water consumption volume, and total weight of wastes over the last 2 years, and mapped out the policies for managing the reduction of carbon, greenhouse gas emission, water consumption, and the generation of wastes?</td><td>V</td><td></td><td>(4) 1. Starting from 2013, the Company issues corporate social responsibility (CSR) reports in each and every year, disclosing the facts and performance of China Chemical and Pharmaceutical Co., Ltd. in environmental protection, corporate governance and public interests in the society with sustainable contribution. The contents of such reports would include greenhouse gases emission volume, water consumption and aggregate total weight of waste and garbage over the past five years. The reports would be further disclosed through the Company's website in the special zone of corporate social responsibility (CSR) and the Market Observation Post System (MOPS). The weight of carbon, greenhouse gas emission, water consumption, and the generation of wastes had been discharged in 2018 and 2019 by the Company as below:
Unit: ton
<table>
<tr><th>Item</th><th>2018</th><th>2019</th></tr>
<tr><td>Greenhouse gas emission volume</td><td>11,806</td><td>12,610</td></tr>
<tr><td>Water consumption volume</td><td>35,857</td><td>35,870</td></tr>
<tr><td>Aggregate total weight of waste and garbage</td><td>1,519</td><td>1,384</td></tr>
</table>
2. The Company formulates the following management policies in line with enterprise management and taking into consideration the friendly environment with love for the earth:
(1) Energy savings and carbon reduction and reduction of greenhouse gas emission volume
The Company operates its business in the policy to assure friendly environment with cares for the earth and switches to low-pollution fuel and replaces heavy oil boilers with natural gas boilers with</td><td></td></tr>
</table>

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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>active efforts to promote a variety of energy-saving projects. In 2019, the Company did, as required, set up an energy management system with continued implementation of such grounds into method to conserve energy toward the goal to reduce power consumption by 1% or more year-by-year. In 2019, the substantial power consumption was reduced by 1.6%. The company's 2019 energy conservation implementation results and 2020 energy conservation plans are as follows:
A. The results of the annual energy-saving plan implementation 2019:
The energy conservation measures implemented in 2019 were as follows: Reduce energy consumption by 244,796 points, and reduce the total carbon emission by 128,575 kg.
<table><tr><th>Item</th><th>Energy-conservation Projects</th></tr><tr><td>1</td><td>Renovation of the 40HP exhaust fan in Zone 03 of the Section II of Manufacturing to install an inverter to save 70,000 KW.</td></tr><tr><td>2</td><td>Biotechnology Section 265HP air compressor oil cooling heat exchanger was updated, saving 40,000 KW.</td></tr><tr><td>3</td><td>Installation of three 7.5HP frequency converters * 3 sets in Manufacturing Section III, saving 13,200 KW.</td></tr><tr><td>4</td><td>Biotechnology Section 40HP exhaust fan was equipped with frequency converter, saving 22,995 KW.</td></tr><tr><td>5</td><td>The efforts toward energy saving and improvement of LED lighting in the whole plant area, saving 98,601 KW</td></tr></table>B. Energy conservation plan 2020
Energy-conservation target: Reduce electricity consumption by over 1%.
Energy conservation measures:
a. Refurbishment of 40HP exhaust fan of exhaust gas washing tower in Zone 02 with equipment of external frequency converter.
b. The public facility 15HP * 2 reciprocating air compressor was updated to a 30HP energy-saving variable frequency screw air compressor.
c. Refurbishment of 40HP exhaust fan of exhaust gas washing tower in Zone 11 with external frequency converter.
(2) Water consumption and waste reduction:
A. Implementation of waste sorting and setting up a resource recycling office with continued efforts to aim at saving energy and committing to the utilization efficiency of various resources, *e.g.*, the use of double-sided printing to minimize the use of paper, the recycling of toner cartridges for photocopiers and printers, use of environmentally friendly toners and the like to achieve waste reduction and</td><td></td></tr>
</table>

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
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			resource recovery goals. B. Publicity promotion of water conservation and use of water-saving toilets.	
4. Social Issues (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. The Company has formulated a “Human Rights Policy” to safeguard the basic human rights of employees, shape human rights and fully protect the environment, and recognize and support the UN Universal Declaration of Human Rights, the Global Compact and the International Labor Convention. In response with international human rights conventions, the company requires cooperative manufacturers to operate without any violations of human rights, so that members of the company, both internal and external, can be treated fairly and with dignity. The specific and concrete management plan of the Company to safeguard human rights is shown in Table VII (III) of this Table. 2. 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. 3. 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. 4. Complied with the "Act of Gender Equality in Employment" to formulate the "Sexual Harassment Control Measures." 5. The Company has covered the “human rights policies” into the pre-employment training programs for newly hired employees to actively implement thoroughly a variety of human rights policies, with friendly terms and serious efforts to the entire staff. In Year 2019, the Company sponsored training programs for 19 echelons attended for a total of 31 trainees. Besides, the relevant regulations, notably “human right policies,” have been put into the Company's internal website platforms and the Company website, readily accessible to both inside employees and outsiders all the time.	None
(2) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect	V		(2) 1. The Company recruits newly hired employees by offering wages that are more than the minimum wage level promulgated by the Ministry of Labor and attracts superior talents to join the Company with a competitive overall salary system and very attractive employee welfare measures. Salaries and pays are granted to employee depending on the employees’ academic credentials and hands-on career experiences, position levels, market conditions and personal performance. Under no circumstances shall the Company grant pays due to differences in gender, ethnic race, religion, political position, birthplace, native place, physical and mental disability or marital status. In the Company, the Remuneration Committee has been set up under the Board of Directors. The Remuneration Committee is organized by three independent directors to take major charge of reassessing the performance evaluation by the directors and managerial officers, the policies, systems, standards/criteria and structures of salaries and remuneration.	

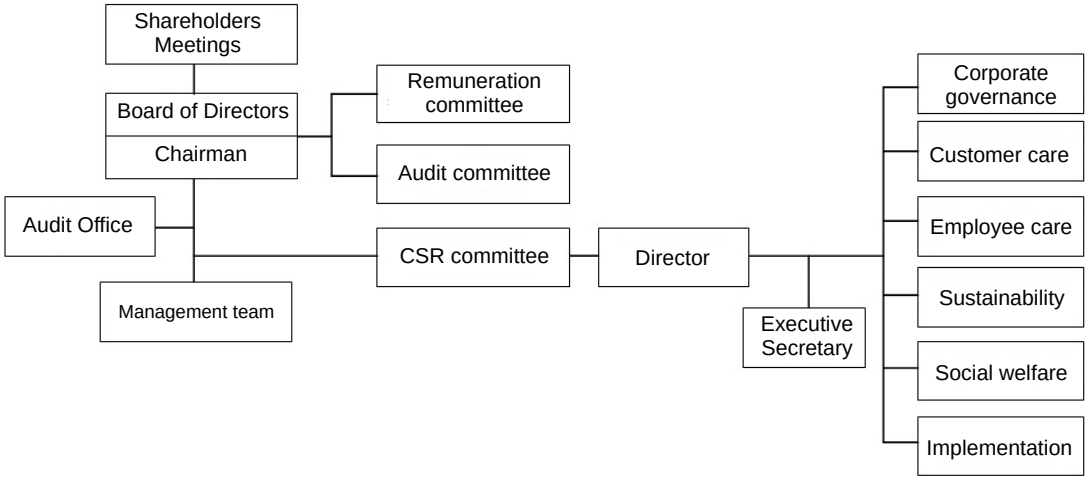
Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
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operating performance or results in employee remuneration?			2. As expressly provided for in Article 32 of the Company's "Articles of Incorporation," with the profit earned in a year, a sum 1%~15% shall be appropriated for remuneration to employees. For employees based on department heads and general staff, the Company has set various performance evaluation systems as the very grounds to conduct year-end performance evaluation by means of setting target performance goals for performance evaluation. Besides, the Company has duly set up Corporate Social Responsibility Best Practice Principles and Working Regulations and such relevant rules and specifications to regulate required ethics with rewards and punishment standards/criteria expressly specified to be covered into the contents for performance evaluation. The results of performance evaluation function as the very grounds for promotion, raise, rewards and punishment, incentive awards and remuneration. The bonus design is combined with the company operating performances, net profit for the current year, and employee assessment and is institutionalized. 3. Employees are the most important assets of the company. The company provides a safe and comfortable office environment. It is a 45-minute flexible working time for the understanding of the hard work of the children and the long-distance commuting. In addition to various group insurance plans and proper health examinations, we take care of our colleagues' health and establish a diverse community to encourage employees to participate actively, so that employees can achieve a balance between work and family, family and self. The employees who have served for one year enjoy 100% ESOP (Employee Stock Ownership Plan) awards in the company. The ESOP help the company's colleagues to achieve long-term savings and accumulated wealth through the "ESOP" to ensure the stability of the future life and enhance employees' sense of belonging to the company. Employees could have the ability to hold company stocks and share business profit. The company immediately announced on various occasions that the company would not be classified as race, class, language, thought, religion, partisanship, place of birth, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities or former union members. The company will implement workplace equality, building a happy enterprise, and move towards a society of plural respect. 4. 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 in the company, who are married, mourned, happy, and celebrated are entitled to a vacation	

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			and receive a subsidy for benefits, in addition to the provisions of the Law on Labor. In 2019, there were 27 applicants. (5) A monthly birthday gift is issued to employees in the company; a total of 292 persons were issued them in 2019. (6) Employees can receive annual bonuses or prizes during festivals such as Spring Festival, Labor Day, Dragon Boat Festival and Mid-Autumn Festival; a total of 1,164 people were issued them in 2019. (7) The Company sponsors employee tours or provides travel subsidies from time to time. (8) Employee housing or dorms (9) Breastfeeding rooms for female employees (10) Medical care staff are invited from medical institutions to the Company's plants to render hands-on health consultation services for the entire staff.	
(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 every year, including fire safety, public safety facilities, and general public safety reviews. 3. On a regular basis every year, the Company sponsors employee tour programs, group athletic games as well as family days to benefit entire staff to enhance their health both physically and mentally. 4. Provide regular general health examinations and special operation health checks each year. 5. Provide family care leave, menstruation leave, miscarriage prevention leaves, antenatal care leave, maternity leave, paternity leave, and set up breast-milk collection room. 6. The medical staff of the special medical institutions provide on-site regular health consultation services for our colleagues.	
(4) Does the Company have an effective career capacity development training program established for the employees?	V		(4) 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.	
(5) Regarding customer health and safety, customer privacy, marketing, and	V		(5) 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 the international standards. The company is a raw material pharmaceutical factory, and its customers are mainly domestic and foreign pharmaceutical companies.	

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labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer protection policies and appeal procedures?			The company has already set up customer complaints related methods in order to provide effective complaint procedures to the customers as well as safeguard their rights and interests.	
(6) Has the Company established the supplier management policy to demand suppliers observe applicable rules and regulations governing environmental protection, occupational safety and health, or labor rights, and the state of implementation?	V		(6) 1. The Company has stipulated evaluation rules for qualified manufacturers. In the procurement operations, the Company shall first evaluate suppliers in accordance with such regulations. Only those who are granted a pass in the evaluation process can be included in the list of qualified suppliers. In addition to procurement of raw materials, a supplier is required to attach the latest version of the materials safety data sheet. In addition, the materials must also be posted with clearly visible related signs themselves. 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. 2. Under the Company's "Corporate Social Responsibility Best Practice Principles," where the Company executes a contract with a key supplier, the contents of such contract shall expressly contain the requirements that the supplier shall faithfully comply with the corporate social responsibility (CSR) policies. Whenever the supplier proves to be in contravention of such policies and causes a significant impact on the environment of the supply source and the society, that contract may be terminated or rescinded forthwith, as covered within the contract. The company's procurement is purchased from qualified suppliers according to regulations. In the future, it will continue to work with suppliers to improve corporate social responsibility and reduce the negative impact of the supply chain on the environment.	
5. Does the Company refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial	V		With reference to GRI, the Company at its discretion works out corporate social responsibility (CSR) report to expressly disclose implementation of the corporate social responsibility (CSR) and further disclose the same onto the Company's website and Market Observation Post System (MOPS). For the Report, the opinions of confirmation or guarantee have not been obtained from the third party verification unit.	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
information, such as, corporate social responsibility reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?				

6. 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. The corporate social responsibility (CSR) has been operated exactly in accordance with the guiding rules enacted by the Company.
7. Other important information that help understand the CSR operation:
   (1) The governance structure of our corporate social responsibility:



1. Description of duties of each task team:

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
(1) 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 2019: 1. Corporate Governance: The company is committed to safeguarding shareholders' rights and interests, and implementing legal compliance, internal control mechanisms, information disclosure and investor communication. 2. Sustainable Environment: (1) 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. (2) The company actively promotes various energy-saving projects and set a goal of reducing electricity consumption by more than 1% year by year. In 2019, the actual electricity consumption decreased by 1.6%, and the power saving rate was 244,796 kWh, with a total reduction of 128,575 kilograms of carbon emissions. 3. Social welfare: (1) Adoption of local parks. Since 2007, the Company has adopted "Chang-Shu Family-Friendly Park" for 13 consecutive years. In 2019, the Company donated NT$500,000 to the park. (2) In 2019, the Company donated NT$66,000 for the China Chemical and Pharmaceutical Concern Society to back up air conditioning equipment. (3) We are committed to the local community and have made donations to the local neighborhoods and charities. (4) The company pays attention to the cultivation of talents in the biotechnology industry. Since 2015, it has continued to promote the industry-academia-research cooperation projects. The expenditure on these projects in 2019 was NT$1,900,000. 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".				

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

(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, group 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 firefighting, 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. 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. The Company sponsored one event on May 24 and November 21, 2019, respectively, attended by 67 participants in total.

(5) The medical care service personnel in coordination with Chia Hsin Health Management and Consultation Co., Ltd. come to our plants to render on-the-spot health consultation services to our staff members on a regular basis.

(6) In 2019, Lien An Clinic and Po Ren General Hospital rendered health examinations, specific operations-oriented health examinations, on-the-job health examinations for a total of 294 employees, specific health examinations (oriented to employees as users of specific chemicals) for a total of 57 employees.

(7) The Company has formulated a “Human Rights Policy” to safeguard the basic human rights of employees, shape human rights and fully protect the environment, and recognize and support the UN Universal Declaration of Human Rights, the Global Compact and the International Labor Convention. In response with international human rights conventions, the company requires cooperative manufacturers to operate without any violations of human rights, so that members of the company, both internal and external, can be treated fairly and with dignity.

5. Customer care: The official French inspection of the factory was successfully completed in June 2019. The cGMP level of the Company's manufacturing plant proves satisfactory to the standards required by various pharmaceutical companies in the world.

(III) Here at the Company, we strictly abide by the laws and regulations, comply with the human rights protection spirit and basic principles disclosed in various international human rights conventions, as well as actively implement various human rights protection policies in formulating various regulations, treats and values toward the entire staff. Besides, we fully respect the protection of human rights. The concrete specific implementation plan is as enumerated below:

Item	Concrete measures of implementation
The policy to provide safe and healthful working ambiance	1. The Company has set up the Safety and Health Department which is staffed with 2 occupational safety and health administrators responsible for occupational safety and health-related affairs. According to the fire and environmental protection laws, there has been an emergency response group set up in the factory and the necessary emergency rescue equipment is set up with fire protection and poison prevention drills conducted on a semiannual basis so that the entire staff of the Company would familiarize themselves with the use of fire protection and escape systems. One drill was held on May 24 and the other on November 21, respectively, in 2019 with a total of 67 participants. 2. 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 2019, a total 10 education and training sessions on general safety and health were held, with a total of 30 participants. A total of 9 education and training

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			sessions on chemical hazards were held, with a total of 22 participants. 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 48 specialized licenses. In 2019, 20 people took re-training course and 3 people were assigned as new trainees. 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 occurring and to maintain work environment safety. 3. 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 294 people took the health examination in 2019, including 57 people who took special health examination (for those who handle specific chemicals). 4. As required under the Labor Health Protection Rules, the Company has duly executed contract(s) with special medical institutions. Under the contract(s), professional physicians and full-time nurses have been assigned to regularly visit our plants to render health consultations, health care, work site visits, work injury assessments and consultations, workforce assessments and re-work assessments and such management and health enhancement programs. 5. The Company creates a healthy workplace culture through various activities such as club activities, group softball games, sports meet and such diversified, comprehensive events. 6. To provide employees with a safe and comfortable working environment 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 August 2019. There were 3 product processes areas and research department, 8 chemicals and 23 testing items. The results followed the allowable concentration to ensure employees' health. 7. The Company has set up sound fire protection system in accordance with the provisions of the Fire Protection Act, including an alarm system, fire protection water system, escape system, fire extinguisher and the like. In each and every year, the Company invites professional fire technicians to conduct fire safety inspections in the entire Company premises.	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
The policy to eliminate employment discrimination and ensure equal job opportunities			The Company has formulated sound "Work Rules" and various regulations and has faithfully abided by labor laws and international norms which are applicable entire staff. In all such aspects as personnel recruitment, assignment, labor conditions, promotion, transfer, rewards and punishments, educational and training programs, welfare, layoff, retirement, severance, performance appraisal and other relevant regulations and operations, the Company assure impartial performance absolutely free of potential discrimination due to ethnic race, social class, language, thoughts, religions, partisanship, origin, birthplace, gender, sexual orientation, age, marital status, appearance, facial features, physical and mental disabilities, blood type constellations or previous union memberships into a different treatment.	
Ban on the use of child labor			Strictly in accordance with the Company's “Human Rights Policy,” all departments of the Company are banned from hiring any one below sixteen years of age. All successful candidates for employees are strictly checked and verified to prevent a potential fault.	
Prohibition of forced work			Strictly in accordance with the Company's “Human Rights Policy” and “the "Employee Work Behavior Code," all employees should abide by those rules and regulations. Under no circumstances shall they get involved in illegal or unethical behaviors. Instead, they shall faithfully comply with the work ethics of dedicated work groups thereby all units are prohibited from engaging in forced labor.	
Personal information protection			The Company has set up an internal control system for the protection and management of personal information which regulates that all departments should implement the inventory and management of personal information. Except for the specific purposes of the law, personal information shall not be collected, processed or used arbitrarily.	
Freedom of speech and association			1. The Company upholds a sound policy with absolutely no interference with the establishment and participation of trade unions by employees. Where to date there has not been any work union, the Company has not executed any group agreement. Under the policy to establish sound communication channels and promote harmonious labor-management ties, the Company holds labor-management meetings on a regular basis every three months. Labor representatives are directly elected by the employees. In addition to protecting their rights to speak and ensuring their original fair working conditions, no deferential treatment has ever been given. The Company has set up a General Manager’s Mailbox in the employee restaurant and encourage employees to submit comments and suggestions as much as possible. Employees are also given room to appeal through the special mailbox of the “Stakeholders’ Zone” on the corporate website. The Company investigates and handles them in accordance with relevant regulations to assure maximum possible interests for both the Company and employees. 2. The Company's Welfare Committee has formulated the "Employee Association Activities Establishment and Subsidy Regulations" to provide financial subsidies to encourage colleagues to establish associations to promote exchanges.	
Channels for remedial measures			The Company has stipulated the "Measures for Reporting Cases of Illegal and Unethical or Dishonest Conducts" and “Regulations Governing Prevention and Settlement of Sexual Harassment.” Employees are advised to use the suggestion box set up in the employee restaurant and the report box set up on the Company's website (report@ccsb.com.tw) The Company has assigned a special department to accept and implement investigation and also carry out relevant publicity courses to keep the entire staff informed on the use of such sound channels. The Company upholds the policy to keep the whistleblowers and the contents of the report in strict confidence and to protect whistleblowers absolutely from improper treatment due to the report. Where the investigation results verify the reported misconduct, the offender shall be penalized in accordance with the “Working Regulations” and the relevant rules and regulations as the actual situations may justify.	
Support to employees to maintain work-life			1. Efforts to promote employee health and balanced life: The Company encourages employees to organize clubs and organize group family days and athletic meets. Through diversified activities, the	

Assessment items		Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
		Yes	No	Summary description	
	balance and take care of the family			Company enhances cross-departmental interaction among employees. Such efforts would not only unite employees' emotions and centripetal force, but also effectively helps employees relieve physical and mental stress. 2. Support to employees for optimum care towards their families Provide family care leave, antenatal examination leave, maternity leave, paternity leave and long-term leave without pay for childcare. The Company has set up a breastfeeding room and grants female employees with regular time for breastfeeding every day. Through Employee Welfare Committee, the Company provides childbirth subsidy. With the entire costs borne by the Company, the Company has acquired group insurance for the entire staff. The group insurance policy includes life insurance, inpatient medical insurance, accident insurance and accident medical care and such protection.	

(VI) The Company's ethical corporate management performance and its difference from the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies" and the root causes

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
1. Business Integrity Policy and action plans				None
(1) Has the Company specified its policy and method for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to pursue the policy of ethical corporate management?	V		(1) The "Best-Practice Principles on Good Faith Management" were enacted and officially passed in the Board of Directors on December 30, 2014 and further amended and approved by the Board of Directors on April 12, 2016 in line with updated laws and ordinances concerned. Under the aforementioned Principles, the Company's board of directors and management should actively implement the policy of integrity management and implement it in internal management and external business activities. The Company has expressly promulgated such Best-Practice Principles on Good Faith Management through its website and annual report so that all suppliers, customers or other business-related institutions and all personnel thereof definitely understand the Company's integrity management philosophy and concretely regulate the key points for attention amidst implementation of their business performance. 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) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?"	V		(2) Here at the Company, the special unit in charge of good faith management policy, exactly in accordance with Article 5 of "Best-Practice Principles on Good Faith Management" enacted by the Company, has established a regular analysis and evaluation of the risk of dishonest behavior within the business scope and accordingly formulated a plan to prevent potential dishonesty and has further stipulated standard operating procedures and behavior guidelines for work operations in each plan. The operating procedures expressly prohibit offering and accepting bribes, offering and accepting of unjust benefits, offering of and commitment to payment to swing a business deal, providing illegal political contributions, engaging in unfair competition, improper charitable donations or sponsorships, disclosure of business secrets and damage to interested parties (stakeholders). The Company has further enacted "Internal Material Information Processing Procedures," "Employee Work Conduct Code" and "Ethical Code of Conduct" to regulate the behavior of directors and employees. The Company has taken preventive measures and organized relevant educational and	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			training programs so that they fully understand the importance of good faith behavior. The concrete specifications have been included in the aforementioned regulations as well as the penalties for violations of the procedures and codes as the very grounds for implementation.	
(3) Has the Company specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?	V		(3) The Company has set up "Internal Major Information Processing Operation Procedures," "Employee Work Code of Conducts," "Integrity Management Operation Procedures and Behavior Guidelines" and "Reports On Cases of Illegal And Unethical or Dishonest Behavior" to expressly guide over honest behavioral operating procedures, and procedures to report violations, grievance systems and penalties as the very grounds for implementing honest management and reporting any illegal actions or violations of the Code of Ethical Conducts or Integrity Management Code. In the promotion and implementation of the good faith management policy, in the pre-employment training of newly hired employees, the courses have been arranged to underline the Company's integrity management philosophy, professional ethics and introduce the "integrity management operating procedures and behavioral guidelines," the rules and regulations which should be complied with throughout the Company's business operations. The dedicated department regularly reports the implementation of the integrity management policy to the board of directors and, on a regular basis, reviews and updates the operating procedures. Also through the audit mechanism of the internal audit unit, those dedicated personnel would put forth maximum possible efforts to prevent business activities involving dishonest behavior, including offering and accepting bribes, providing illegal political contributions and other malpractices.	
2. Proper enforcement of business integrity				
(1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		(1) The company 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 set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical	V		(2) In the faithful implementation of good faith management policies in the Company, the General Manager’s Office teams up with the Human Resources Department and Department of Finance in the enactment of the "Integrity Management Operation Procedures and Behavioral Guide." The General Manager’s Office is in charge of hands-on implementation. On a regular basis every year, the General	None

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
conduct preventive action and the implementation of supervision?			Manager's Office would report to the Board of Directors about the results of performance to help the Board of Directors check and ensure whether or not the Company's good faith management policy has been put onto faithful enforcement. The hands-on performance of good faith management policy in 2019 was already reported to the board of directors' meeting convened on December 23, 2019 (The 5th board meeting of Session 21). In addition to the efforts to proclaim "integrity and faithfulness" as the very core value to all colleagues of the Company, the Company further announces the key issues as key points for attention in the educational and training programs oriented to newly hired employees. The entire staff of the Company are readily accessible to all management levels and Human Resources Department via multiple channels (including notably the Company's website, internal e-mail and the like) for immediate communications. Meanwhile, the Company provides sound channels through its website toward potential whistleblowers or informants to report on any malpractices The Company will, in response, handling the cases according to the rules and regulations and keeping the status of whistleblowers or informants reporting malpractice and contents of reports in strict confidence.	
(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 interest 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.	
(4) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform	V		(4) To assure a faithful environment of the good faith management policy, the Company has duly set up sound and efficient accounting and internal control systems. The Audit Office, meanwhile, duly audits the compliance with the aforementioned requirements based on the annual audit plans. Moreover, the Company has faithfully complied with the provisions set forth under the "Company Act" and "Securities and Exchange Act." The retained certified public accountants would audit and authenticate the relevant accounting books.	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
the check? (5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(5) Amidst the hands-on enforcement of the good faith management policy, the Company has put the "Employee Work Code of Practice" and "Integrity Management Operation Procedures and Behavior Guide" into the pre-employment education and training courses for newly hired employees to promote the Company culture of giving importance to integrity for new recruits. As of December 31, 2019, a total of nineteen training programs had been satisfactorily completed with a total of 31 successful trainees. Meanwhile, the "Integrity Management Operating Procedures and Behavioral Guide" has been placed into the Company's intranet platform and Company website readily accessible to employees and external personnel for reference at any time. Toward all business counterparts, the Company would put forth maximum possible efforts to publicize the Company's good faith management policy before they sign contracts for hands-on transactions.	
3. The operations of the Company's Report System (1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? (2) Has the Company established the standard operation procedures for the investigation of complaints as reported, follow-up actions after the investigation, and related mechanisms for confidentiality?	V 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. (2) The Company has duly stipulated "Handling Rules for Cases of Reporting Illegal and Unethical or Dishonest Conduct," established internal and external reporting channels and handling systems for the entire Company and has duly archived records of the acceptance, investigation process and results of the reported cases. The Company keeps the identities of the whistleblowers or informants reporting malpractice and the content of the reports in strict confidentiality. Where a reported malpractice is verified as being against the Company's good faith management policy or laws and ordinances concerned, the offender in the reported malpractice shall be requested to discontinue the malpractice forthwith and shall be penalized as appropriate. As necessary, the Company could claim on such offender for compensation through statutory procedures to firmly safeguard the Company's goodwill and interests. Where an accused malpractice is verified through investigation, the relevant unit(s) of the Company shall be requested to assess the case and work out countermeasures so as to eradicate a same or similar malpractice	None

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			from reoccurrence. The Company's dedicated unit shall report to the Board of Directors about the facts of the informant report, manner of settlement and the subsequent reassessment and corrective action.	
(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.	
4. Enhanced information disclosure 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		The Company has promulgated into its own website, Market Observation Post System (MOPS) the "Integrity Management Operation Procedures and Behavioral Guide" and relevant messages. Honesty and integrity represent the Company's key core values and corporate philosophy. All employees of the entire Company shall abide by the definite moral standards and character ethics and make the utmost efforts to consider the rights and interests of all related parties toward manufacturers, customers, employees, shareholders and the entire society.	None
5. Where the Company has faithfully enacted its own good faith management policy in accordance with the "Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies," please elaborate on the differential gap between its hands-on operation and the requirements under the Principles: Exactly in accordance with the "Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies," the Company has duly enacted its own ""Integrity Management Operation Procedures and Behavioral Guide" and has faithfully operated the business exactly in accordance with the said Operating Procedures and Guides. The hands-on implementation by the Company proves to be very satisfactory to the Operating Procedures and Guides enacted by the Company itself.				
6. 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.				

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

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

2019 Director training status:

Title	Name	Training date	Organizer	Course name	Training hours
Chairman	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang	2019.11.12	Corporate Governance Association in Taiwan	The up-to-date Labor Standards Act related practices in 2019	3
		2019.12.23	Corporate Governance Association in Taiwan	In the current era of digital economy, how shall companies innovate and break through profitability	3
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun	2019.11.12	Corporate Governance Association in Taiwan	The up-to-date Labor Standards Act related practices in 2019	3
		2019.12.23	Corporate Governance Association in Taiwan	In the current era of digital economy, how shall companies innovate and break through profitability	3
Director	Wang Ming-Ning Memorial Foundation representative: Chung-Hsin Huang	2019.11.12	Corporate Governance Association in Taiwan	The up-to-date Labor Standards Act related practices in 2019	3
		2019.12.23	Corporate Governance Association in Taiwan	In the current era of digital economy, how shall companies innovate and break through profitability	3
Director	Wang Ming-Ning Memorial Foundation representative: Hsun-Hui Wang	2019.11.12	Corporate Governance Association in Taiwan	The up-to-date Labor Standards Act related practices in 2019	3
		2019.12.23	Corporate Governance Association in Taiwan	In the current era of digital economy, how shall companies innovate and break through profitability	3
Independent Director	Kuo-Chiang Wang	2019.05.03	Securities and Futures Development Foundation	2019 Insider Trading Prevention Publicity Conference	3
		2019.08.28	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance and Sustainable Development	3
		2019.11.12	Corporate Governance Association in Taiwan	The up-to-date Labor Standards Act related practices in 2019	3
		2019.12.23	Corporate Governance Association in Taiwan	In the current era of digital economy, how shall companies innovate and break through profitability	3
Independent Director	Cheng-Hsien Tsai	2019.04.09	National Innovation and Entrepreneurship Association ,R.O.C.(Taiwan)	The pre-merger value evaluation and post-merger integration from the perspective as viewed by directors and supervisors	6
Independent Director	Chih-Hsien Chang	2019.07.17	Securities and Futures Development Foundation	Annual Insider Equity Trading Law Compliance Promotion Conference in 2019	3
		2019.11.06	Taiwan Securities Exchange Corporation	Publicity meeting for maximum possible use of directors' functions	3
		2019.11.12	Corporate Governance Association in Taiwan	The up-to-date Labor Standards Act related practices in 2019	3
		2019.12.23	Corporate Governance Association in Taiwan	In the current era of digital economy, how shall companies innovate and break through profitability	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 9, 2020

The following declaration is based on the 2019 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, 2019 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 9, 2020 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

General Manager: Chung-Hsin Huang Signature and Seal

2. Internal control system review report commissioned to an 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: None.

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

1. Important resolution of the 2019 Board of Directors meeting

Year	Date	Important Resolution Items	Resolution and Implementation Status
Shareholders' meeting 2019	2019.05.31	1. Recognized the 2018 Business Report and Financial Statements. 2. Recognized the 2018 Earnings Distribution. 3. Passed the revision for parts of the company's "Acquisition or Disposal of Asset Handling Procedures" 4. Passed the amending partial provisions of the company's "Derivative Product Transaction Processing Procedure." 5. Passed the partial amendments to the "Operational Procedures for Loaning Funds to Others". 6. Passed the partial amendments to the "Procedures for Endorsing as a Guarantor". 7. The director (including the independent director) re-election case. 8. Proposal for canceling the non-compete restriction for new directors and their representatives.	Passed without objection. Passed the resolution for the shareholders' cash dividend of NTD93,072,000 (NTD1.2 per share), set July 30, 2019 as the dividend benchmark date, and distribution was completed on August 15, 2019. Handled according to the "Acquisition or Disposal of Asset Processing Procedures" after it has been revised and posted on the company's website. Handled according to the "Derivative Product Transaction Processing Procedure" after it has been revised and posted on the company's website. The Company has promulgated through the Company's website and, accordingly, duly handled in accordance with the post-amendment "Handling Procedures for Loaning of Funds and Making of Endorsements/Guarantees" The Company has promulgated through the Company's website and, accordingly, duly handled in accordance with the post-amendment ""Procedures for Endorsements/Guarantees " The list of the elected directors: China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang The Mr. Wang Min-ning Memorial Foundation representative: Wang Shun-hui The Mr. Wang Min-ning Memorial Foundation representative: Huang Chung-hsin China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun List of independent directors Kuo-Chiang Wang Cheng-Hsien Tsai Chih-Hsien Chang Passed without objection.

2. Important Resolution of the Board of Directors for 2019 and as of the Publication Date of the Annual Report

Year	Date	Important Resolution Items
2019 1st Board of Directors Meeting	2019.03.08	1. Passed the 2018 Management Personnel Remuneration Discussion Case. 2. Passed the 2018 Director Remuneration Discussion Case. 3. Passed the 2018 Employee and Director Remuneration Discussion Case. 4. Passed the 2018 Business Report and Balance Sheet Draft Case. 5. Passed the 2018 Surplus Distribution Case. 6. Passed the 2019 Business Plan Case. 7. Adoption proposal of election of the directors of the company (including independent directors). 8. Adoption proposal of election details such as a period of receiving nominations of directors (independent director) candidates, the number of independent directors to be elected, the place for receiving such nominations, and other necessary matters. 9. Adoption proposal of the nomination of candidates for directors (including independent directors). 10. Passed the canceling the non-compete restriction for new directors and their representatives. 11. Amendment proposal of some of the provisions of the Company's "Corporate Governance Best Practice Principles".

Year	Date	Important Resolution Items
		12. Passed the revision for parts of the company's "Acquisition or Disposal of Asset Handling Procedures" 13. Passed the amending partial provisions of the company's "Derivative Product Transaction Processing Procedure." 14. Passed the partial amendments to the "Operational Procedures for Loaning Funds to Others". 15. Passed the partial amendments to the "Procedures for Endorsing as a Guarantor". 16. The Formulation of the Company's 2019 Shareholders Meeting Date, Location, Share Transfer Cessation Date Case. 17. Passed the Bank Quota Renewal Case. 18. Passed the "2018 Internal Control System Statement" Submission Case. 19. Adoption proposal of equipment procurement by supplementary budget.
2019 2nd Board of Directors Meeting	2019.05.13	1. A decision duly resolved to amend "Management over Endorsements/Guarantees," "Management over Loaning of Funds" and such internal control system and internal audit enforcement rules 2. A decision duly resolved to enact "Standard Operational Procedures to Manage Requirements by the Directors." 3. A decision duly resolved to dissolve CCSB Holding Co. Ltd. and to liquidate Suzhou China Chemical Synthetic Biotechnology Co., Ltd. 4. Passed the Bank Quota Loan Increase Case. 5. Passed the Equipment Investment Case.
2019 3rd Board of Directors Meeting	2019.05.31	1. A decision duly resolved to elect the chairman. 2. A decision duly resolved to appoint the Remuneration Committee members of the 4th Session.
2019 4th Board of Directors Meeting	2019.06.24	1. Passed the Internet Payment Benchmark Date and Cash Dividend Distribution Date Settings. 3. A decision duly resolved to enact the Company's Regulations and Procedures Governing "Self-Evaluation and Peer-Evaluation of the Board of Directors" 3. Passed the Bank Quota Renewal Case.
2019 5th Board of Directors Meeting	2019.08.12	1. A decision duly resolved for the raise for managerial officers. 2. Passed the Bank Quota Renewal Case. 3. A decision duly resolved to amend the Enforcement Rules for internal control system and internal audit for the "Real Estate, Plant and Equipment Circulation." 4. A decision duly resolved to the changes in the Company's business heads, spokesman and substitute spokesman.
2019 6th Board of Directors Meeting	2019.11.12	1. Passed the CPA Independence and Suitability Assessment Case. 2. Passed the 2020 Audit Plan Case. 3. A decision duly resolved to increase loans with credit lines with banks and to renew the loan contracts.
2019 7th Board of Directors Meeting	2019.12.23	1. Passed the Regular Review for the Director and Manager Remuneration Methods and Payment Standards. 2. A decision duly resolved to performance evaluation incentive plans for the chairman and managerial officers in 2019. 3. A decision duly resolved for additional budgets for investment in equipment.
2020 1st Board of Directors Meeting	2020.03.09	1. Passed the 2019 Management Personnel Remuneration Discussion Case. 2. Passed the 2019 Director Remuneration Discussion Case. 3. Passed the 2019 Employee and Director Remuneration Discussion Case. 4. Passed the 2019 Business Report and Financial Statements. 5. Passed the 2019 Earnings Distribution. 6. Passed the 2020 Business Plan Case. 7. A decision duly resolved to amend partially the Company's "Organizational Rules of Remuneration Committee" 8. A decision duly resolved to amend partially the Company's "Organizational Rules of Remuneration Committee" 9. Partial amendments to the "Regulations Governing Procedure for Board of Directors Meetings". 10. Partial amendments to the "Regulations Governing Procedure for shareholders' Meetings". 11. A decision duly resolved to schedule and fix the date, venue for the Company's shareholders' regular meeting and book closure day for share certificates. 12. A decision duly resolved to increase loans with credit lines with banks and to renew the loan contracts. 13. Passed the "2019 Internal Control System Statement" Submission 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, corporate governance supervisor, or R&D director in the most recent year and as of the publication of the annual report:

V. Disclosure of CPAs' remuneration:

Change of CPA

Auditor's firm	Name of CPA		Audit period	Remarks
PwC Taiwan	Shuqiong Zhang	Shufen Yu	2019.01.01-2019.12.31	—

CPA fee table

Monetary Unit: NTD Thousand

Amount bracket	Service fee items	Audit remuneration	Non-audit remuneration	Total
1	Less than 2,000 thousand	—	1,124	1,124
2	2,000 thousand(inclusive) ~4,000 thousand	2,767	—	2,767
3	4,000 thousand(inclusive) ~6,000 thousand	—	—	—
4	6,000 thousand(inclusive) ~8,000 thousand	—	—	—
5	8,000 thousand(inclusive) ~10,000 thousand	—	—	—
6	10,000 thousand above	—	—	—

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

Monetary Unit: NTD Thousand

Auditor's firm	Name of CPA	Audit remuneration	Non-audit remuneration					CPA auditing period	Remarks
			Policy design	License registration	Human resource	Others	Subtotal		
PwC Taiwan	Shuqiong Zhang Shufen Yu	2,767	0	0	0	0	0	2019.01.01-2019.12.31	—
PwC Taiwan	—	0	0	0	0	1,124	1,124	—	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 10% Compared to the Previous Year: None.

VI. Change of CPA: None.

VII. Has there been any Company Chairperson, President, or Managerial Officer in Charge of Finance or Accounting Matters who was Previous Employed by the CPA's Firm or its Affiliates within the Last Year: None.

VIII. Shareholding transfers and share collateralization within the latest year, up till the publication date of this annual report, initiated by directors, managers and shareholders with more than 10% ownership interest:

(I) Director, Manager, and Major Shareholder Changes

Unit: shares

Title	Name	2019		As of March 31, 2020	
		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	China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang (Note 1)	0	0	0	0
	Hsun-Sheng Wang (Note 2)	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: Hsun-Hui Wang (Note 1)	0	0	0	0
	Hsun-Hui Wang (Note 2)	0	0	0	0
	Wang Ming-Ning Memorial Foundation representative: Hou-Jie Wang (Note 3)	-	-	0	0
Director	Wang Ming-Ning Memorial Foundation representative: Chung-Hsin Huang	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	Chung-Hsin Huang	0	0	0	0
Vice President of Business Department	Quan-Wen Chen (Note 4)	0	0	-	-
Vice President of R&D Department	Qing-Peng Wei	0	0	0	0
Vice President of Manufacturing Division	Guo-Xian Zeng	0	0	0	0
Assistant Vice President of Business Division	Ying-Chi Chen (Note 5)	0	0	0	0
Assistant President of Biotechnology Institution	Jin-Cheng Mai (note 6)	0	0	0	0
Assistant Vice President of Quality Assurance Department	Wen-Bing Wang (note 7)	0	0	0	0
Internal Audit Manager	Chao-Sheng Hong	0	0	0	0
Financial Supervisor	Kuan-Chieh Wang	0	0	0	0
Accounting Supervisor	Hsiu-Fen Lin	0	0	0	0

Note 1: Newly appointed after reelection on May 31, 2019.
Note 2: The old post before re-election on May 31, 2019.
Note 3: Mr. Wang Hsun-Hui, representative of Mr. Wang Min-Ning's Memorial Foundation passed away on January 13, 2020. Mr. Wang Hou-Chieh was appointed the representative to head the Foundation on January 17, 2020.
Note 4: Resigned on July 31, 2019
Note 5: Former PPL Chief Executive Officer (CEO) Chen Ying-Chi was appointed the Company's new Head of Business Division on September 1, 2019, and was promoted as the Vice President of that Division.
Note 6: Dr. Mai Chin-Cheng, chairman of the Biotechnology Research Institution was promoted to the Assistant President of that Division on July 1, 2019.
Note 7: Dr. Wang Wen-Bin, head of Quality Assurance Division, was promoted to the Assistant President of that Division on July 1, 2019.

(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.

IX. Relationships among The Company's top ten shareholders including spouses, second degree relatives or closer:

March 31, 2020

Name	Own shareholdings		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	Relation	
China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%	—	—	—	—	Hsun-Sheng Wang Wang Ming-Ning Memorial Foundation	Chairman of the Company Same Chairman	
China Chemical & Pharmaceutical Co., Ltd. Representative: Hsun-Sheng Wang	2,854,230	3.68%	787	0.00%	—	—	Hsun-Hui Wang Wang Ming-Ning Memorial Foundation	Brothers Chairman of the Foundation	
Hsun-Sheng Wang	2,854,230	3.68%	787	0.00%	—	—	Hsun-Hui Wang China Chemical & Pharmaceutical Co., Ltd. Wang Ming-Ning Memorial Foundation	Brothers Chairman of the Company Chairman of the Foundation	
Tsung-Ying Tung	2,174,000	2.80%	—	—	—	—	—	—	
Hsun-Hui Wang	1,864,768	2.40%	77,787	0.10%	—	—	Hsun-Sheng Wang	Brothers	
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%	787	0.00%	—	—	Hsun-Hui Wang China Chemical & Pharmaceutical Co., Ltd.	Brothers Chairman of the Company	
Fubon Financial Holding Co., Ltd.	1,500,000	1.93%	—	—	—	—	—	—	
Fubon Financial Holding Co., Ltd. Representative: Ming-Chung Tsai	—	—	—	—	—	—	—	—	
Chiu-Lan Liu Huang	1,491,482	1.92%	—	—	—	—	—	—	
Chun-ang Chen	1,387,000	1.79%	—	—	—	—	—	—	
Xun-Wei Wang	1,003,066	1.29%	—	—	—	—	—	—	
Gui-Mei Ling	990,000	1.28%	—	—	—	—	—	—	

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

Unit: share; % December 31, 2019

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 percentage	Quantity	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	25,294,137	8.49%	—	—	25,294,137	8.49%
PHARMAPORTS, LLC	—	98.00%	—	—	—	98.00%
CCSB HOLDING CO.,LTD	600,000	100.00%	—	—	600,000	100.00%
Suzhou Chunghwa Biotech Trading Co., Ltd. (Note 2)	—	100.00%	—	—	—	100.00%

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

Note 2: Suzhou China Chemical Synthetic Biotechnology Co., Ltd. received liquidation certificate from the taxation authority on November 6, 2019 and is currently during the liquidation process.

Four. Funding Status

I. Capital and Shares:

(I) Sources of Capital Share:

1. Capital Share Formation Process:

December 31, 2020; Unit: NTD; share

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:

March 31, 2020；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:

March 31, 2020；Unit: Shares

Shareholders structure / Volume	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	-	-	154	21,763	34	21,951
Number of shares held	-	-	22,367,648	53,362,914	1,829,438	77,560,000
Shareholding percentage	-	-	28.84%	68.80%	2.36%	100%

(III) Status of Share Dispersion:

1. Regular Shares

Face value per share: NTD10 March 31, 2020 per unit: share

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	14,220	89,440	0.12%
1,000 to 5,000	6,318	12,510,202	16.13%
5,001 to 10,000	756	6,201,726	8.00%
10,001 to 15,000	202	2,657,386	3.43%
15,001 to 20,000	144	2,729,346	3.52%
20,001 to 30,000	100	2,619,531	3.38%
30,001 to 40,000	61	2,215,018	2.86%
40,001 to 50,000	34	1,607,104	2.07%
50,001 to 100,000	62	4,410,463	5.69%
100,001 to 200,000	29	4,240,211	5.47%
200,001 to 400,000	11	3,085,428	3.98%
400,001 to 600,000	-	-	-
600,001 to 800,000	3	2,031,553	2.62%
800,001 to 1,000,000	2	1,865,000	2.40%
1,000,001 and above	9	31,297,592	40.33%
Total	21,951	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)

March 31, 2020 Unit: Shares

Shareholding / Name of main shareholder	Number of shares held	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%
Hsun-Sheng Wang	2,854,230	3.68%
Tsung-Ying Tung	2,174,000	2.80%
Hsun-Hui Wang	1,864,768	2.40%
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%
Fubon Financial Holding Co., Ltd.	1,500,000	1.93%
Chiu-Lan Liu Huang	1,491,482	1.92%
Chun-ang Chen	1,387,000	1.79%
Xun-Wei Wang	1,003,066	1.29%
Gui-Mei Ling	990,000	1.28%

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

Unit: NTD; Thousand Shares

Item \ Year			2018	2019	The current year as of March 31, 2020 (Note 4)
Market price per share	Highest		29.70	40.90	48.75
	Lowest		20.05	22.80	26.20
	Average		24.35	30.00	39.74
Net worth per share	Before dividend distribution		25.58	25.98	–
	After dividend distribution		24.38	(Note 5)	–
Earnings per share	Weighted average outstanding shares (Thousand Shares)		77,560	77,560	–
	Earnings per share		3.02	1.51	–
Dividends per share	Cash dividend		1.2	(Note 5)	–
	Stock dividends	From earnings	–	–	–
		From capital reserves	–	–	–
	Retained Dividends		–	–	–
Analysis of investment returns	P/E ratio (Note 1)		8.06	19.87	–
	Price to dividends ratio (Note 2)		20.29	(Note 5)	–
	Cash dividend yield (Note 3)		0.05	(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 date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

Note 5: The surplus distribution plan 2019 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 2019 earnings distribution of the company has passed the Board of Directors resolution on March 9, 2020 and is still subject to resolution by the shareholders' meeting. The cash dividend of NTD0.8 per share is proposed, and the cash dividend issuance of NTD62,048,000 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 2020 shareholders meeting did not propose any stock grant.

(VIII) Remuneration to employees and directors:

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

   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 renumeration. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss.

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

   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.

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

   (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors:

   The company's 2019 annual employee remunerations were estimated at NTD18,835,000; and the director remunerations were NTD1,884,000. The Board of Directors has passed a resolution on March 9, 2020 to allocate employee remunerations of NTD18,835,000 and the director remunerations of NTD1,884,000; which is no different than the annual costs estimated. The employee and director remunerations mentioned above are all paid in cash.

   (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

   The company's 2018 annual employee remunerations were estimated at NTD15,488,000; and the director remunerations were NTD1,549,000. The Board of Directors has passed a resolution on March 8, 2019 to allocate employee remunerations of NTD15,488,000 and the director remunerations of NTD1,549,000; which is no different than the annual costs estimated.

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

II. Disclosure relating to corporate bonds: none.

III. Disclosure relating to preference shares: none.

IV. Disclosure relating to depository receipts: none.

V. Employee stock warrants: none.

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

VII. Disclosure on new shares issued for the acquisition or transfer of other shares: none.

VIII. Progress on the use of funds: none.

Five. Business performance

I. Content of Business

(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:
   79% biotechnology products
   21% chemical synthesis products
3. Current products:
   (1) Biotechnology products: Pravastatin (PVTS; hypolipidemic drug)
   Mycophenolate Mofetil (MMF; immunosuppressant),
   Mycophenolate Mofetil HCl (MMF-HCl; immunosuppressant),
   Rapamycin (Sirolimus) (RAPA; immunosuppressant),
   Everolimus (EVE; immunosuppressant, anticancer drug),
   Tacrolimus (FK506; immunosuppressant),
   Caspofungin (CAS; antifungal medication),
   Teduglutide (TED; short bowel medication),
   Pneumocandin B0 (PNB0; antifungal intermediate),
   Midostaurin (STS; anticancer drug).
   (2) Non-biotech products: Methocarbamol (MCB; muscle relaxant)
   Metaxalone (MTAX; muscle relaxant),
   Guaifenesin (GGE; antitussive),
   Trandolapril (TDP; antihypertensive medication),
   Fluconazole (FCZ; antifungal medication),
   Olopatadine (OLO; anti-allergy medication),
   Ethyl Icosapentate: (EPAE; Lower triglyceride),
   Omega-3 Carboxylic Acids: (OMA; Lower triglyceride);
   Ixazomib Citrate (IXA; anti-cancer drug),
   Etelcalcetide (AMG; hemodialysis chronic kidney disease medication),
   Plecanatide (PLE; chronic idiopathic constipation medication),
   Abaloparatide (ABA; osteoporosis medication),
   Ribociclib (RI; breast cancer medication),
   Carfilzomib (CFZM; anti-cancer medication),
   Sugammadex (SGM; anesthesia recovery medication),
   Edoxaban (ETH; anticoagulant),
   Baricitinib (BA; rheumatoid arthritis medication),
   Lanreotide acetate (LAN; acromegaly, neuroendocrine tumor oriented medication),
   Ribociclib (RI; breast cancer medication).
4. New products to be developed:
   (1) New product development: The Company's main core business is to supply high-quality new APIs required by global development that challenges for patented new products and generic manufacturers whose patents are about to expire or have expired. The Company, as well, uses the core advantages of chemical synthesis and microbial fermentation technology process development to continuously develop

new products such as immune preparations, anti-cancer drugs, cardiovascular drugs, renal dialysis drugs and gastrointestinal drugs.

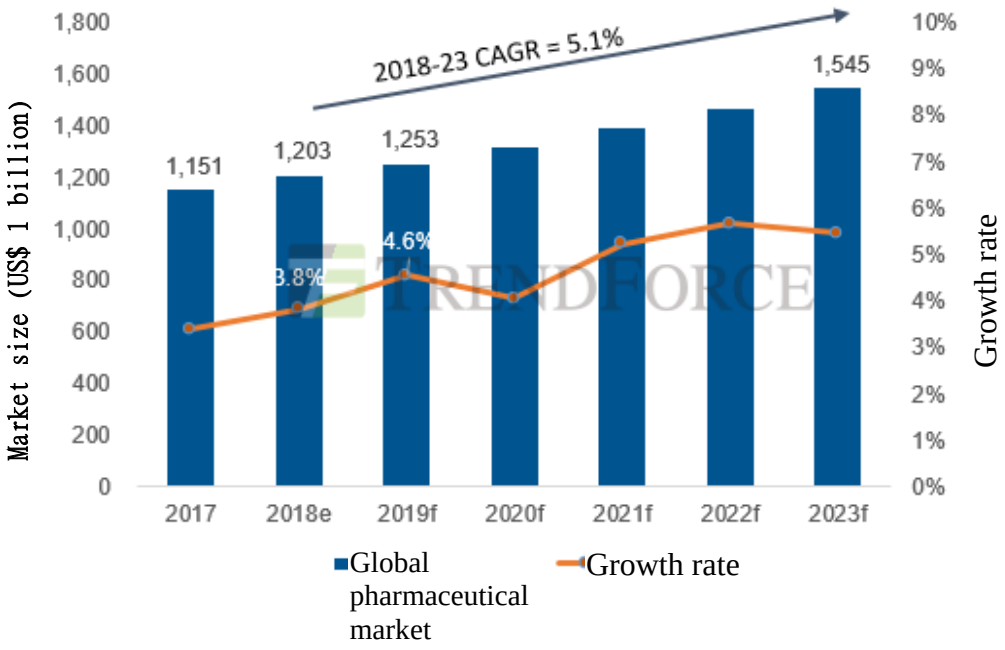
(2) Contract manufacturing business: The Company also provides research and development and contract manufacturing (CDMO/CMO) services to new drug developers and generic drug companies at home and abroad, striving to become the provider of active pharmaceutical ingredients to those new drug developers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

(II) Industry overview:

1. Status and development of the industry:

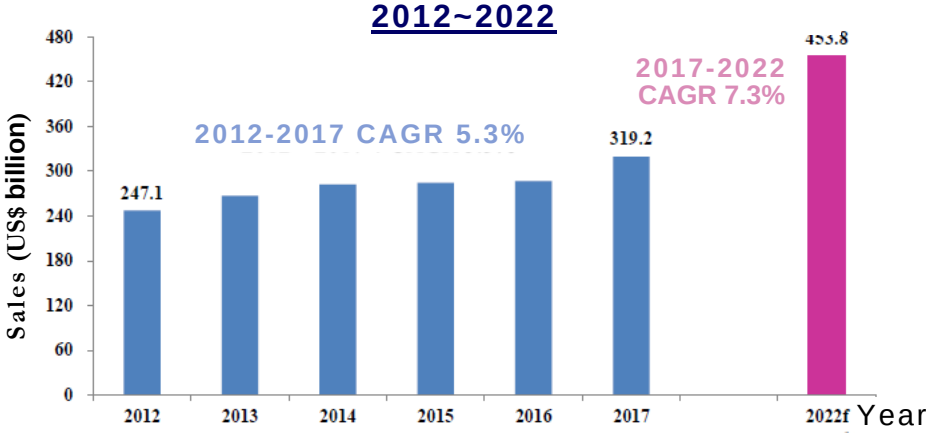
Active pharmaceutical ingredients are the components that provide medical effects, and their production technology can be divided into extraction and purification, chemical synthesis and fermentation. General pharmaceuticals can be divided into originally developed patented drugs and generic drugs. According to the up-to-date report of the global market research agency TrendForce, the global drug market in 2018 was driven by the continuous increase of new drug products entering the market and the use thereof. The estimated scale is about US$1.2 trillion with the growth rate at approximately 3.8%. The scale in 2019 was estimated to be about US$1.25 trillion. The annual growth rate is approximately 4.6%. It is expected to grow to about US$1.55 trillion in 2023. The compound growth rate (CAGR) during 2018-2023 is 5.1%.

Changes in global pharmaceutical market size 2017-2023

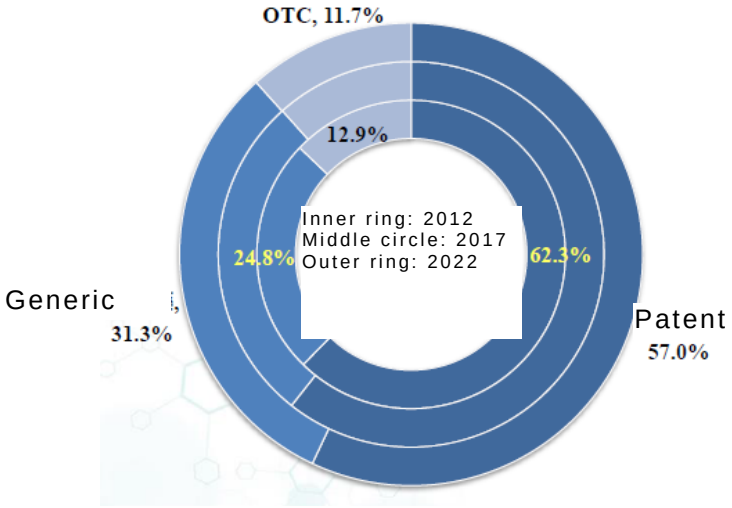


In 2017, the Generics market has a production value of US$319.2 billion, which continues to grow at a compound annual growth rate (CAGR) of 7.3%, which is higher than the CAGR 4.5% growth rate of the overall pharmaceutical market. It is estimated that it will reach US$453.8 billion by 2022.

Changes in the generic drugs market in 2012~2022



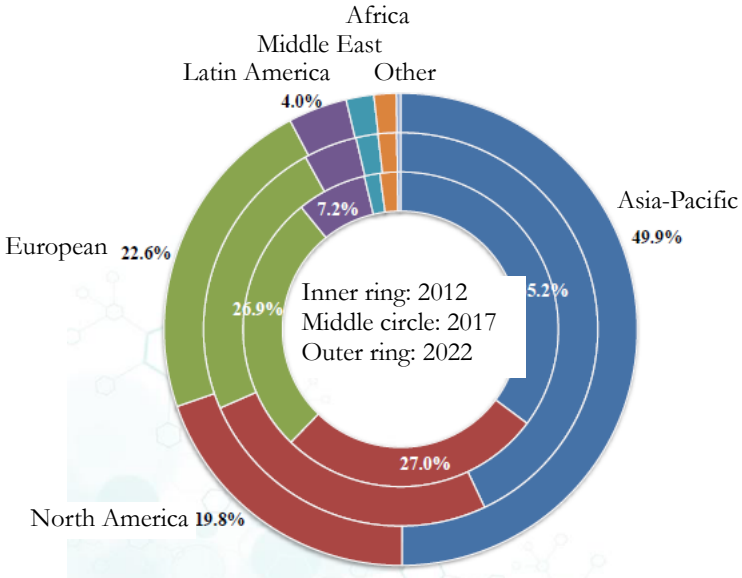
Drug price pressure, competition for patent-expired generic drugs, and delays in new product development will put pressure on the growth of the pharmaceutical market. However, as the global population structure ages, it will drive medical expenditures to increase, and become the driving force for the growth of the pharmaceutical market. The market share of generic drugs will reach 30% in 2022.



Proportion of sales of drugs in each category

Source: Biotechnology Development Center

In comparison of the proportion of the regional markets, the generic drug market takes the Asia-Pacific region as the world's largest prime market. As estimated, it would account for about 50% of the global generic drug market in 2022; followed by the European market, accounting for 22.6% of the global generic drug market.

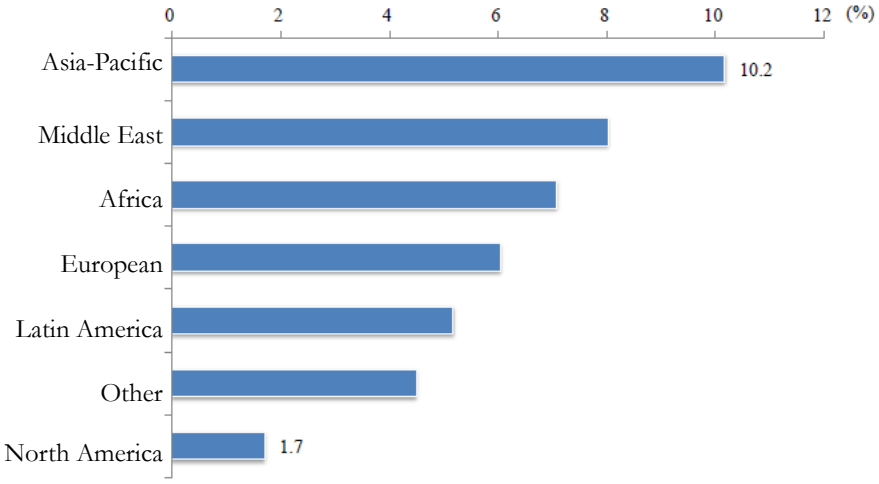


Proportion of sales of generic drugs in various regional markets

Source: BMI

As estimated, the CAGR of the generic drug market in the Asia-Pacific region from 2017 to 2022 is 10.2% as the fastest growing market for generic drugs; North America would record the slowest growth, with a CAGR at only 1.7%; and the European would be in CAGR at 6.0%.

Estimating the sales of generic drugs in various regions of the world from 2017 to 2022 CAGR



Source: Biotechnology Development Center

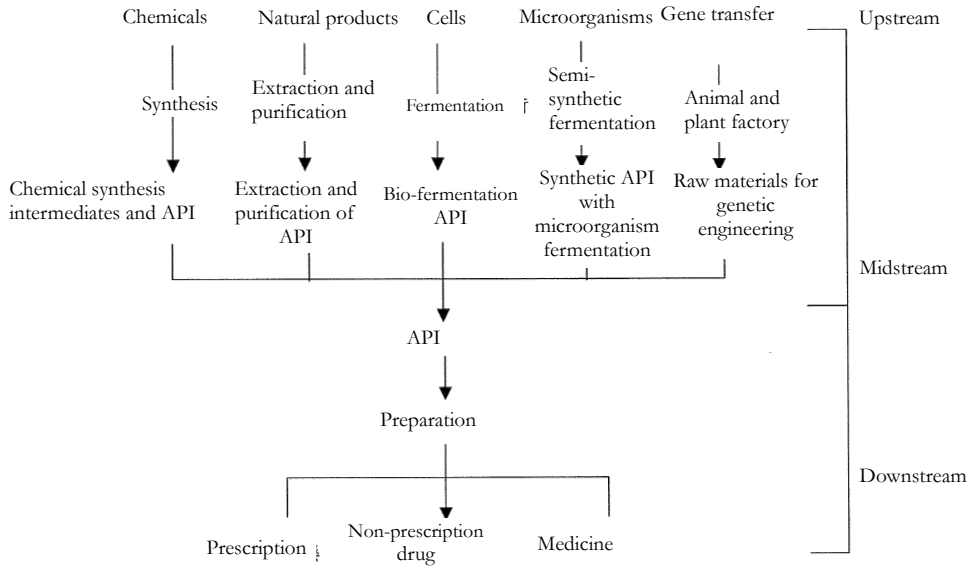
2. Relations between upstream, midstream and downstream of the industry:

There are more than 3,000 API manufacturers in the world, but only about 542 API manufacturers have the ability to meet the cGMP requirements of the US, Europe and Japan in terms of quality and regulations. According to the NEWPORT database, these 542 companies Most of the API manufacturers are located in the United States,

Europe, Japan, China and India. The company's cGMP system has been officially inspected by the United States, Europe and Japan many times. We have been one of the major suppliers of high-tech companies in the United States, Europe and Japan, although we face low-cost competition in the market from Chinese and Indian API manufacturers. With the increasingly strict inspection of the US and EU pharmaceutical authorities and the increasingly stringent requirements for cGMP requirements, the quality requirements of APIs have established a new milestone. The company faced with the improvement of pharmaceutical quality thresholds in advanced countries, it is also an opportunity for Chunghwa Chemical Synthesis & Biotech Co. Ltd who has a strong cGMP foundation. We will strive to enhance our competitiveness, deepen our research and development technology, and develop high-tech raw materials with market potential. In the harsh competition environment of the internal and external markets, we strive to break through and grow steadily.

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 drug makers 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 drugmakers 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 drugmakers 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 drugmakers 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 drugmakers 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, Tacrolimus and Rapamycin derivatives. The Company has successfully developed its APIs for these three products. Among them, Mycophenolate Mofetil has become the Company's flagship product for which the Company is the largest supplier in the US market; Tacrolimus has been commercially shipped as well, and Japanese customers have already obtained drug certificates for it and put it into markets in late 2013. In addition, in terms of Everolimus developed by Novartis and Sirolimus developed by Pfizer have got their generic drugs hit the markets commercially. Some customers of the Company have obtained Everolimus ANDA and have been entitled to exclusive monopoly in the markets for 180-day period The Company has successfully boosted productivity and satisfied customers needs in line with customer requirements. Although in addition to the company, there are other peers who want to cut into such product market, but the company’s products are of high quality, and cGMP inspection records are excellent, and trusted by customers. By taking these competitive advantages, the company continues to grow with mass production and shipment.

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

developed by our Company with a fermentation process (Where Pravachol patent has expired) has been in mass production and shipment for 17 years since 2003. Its demand in the market has shrunk as replaced by Rosuvastatin and Atorvastatin. That product is about to retire after having made its mark. Throughout in Taiwan, such product has been manufactured only by our Company.

In the Company, the very competitive edge lies upon immunosuppressants which has been mass-produced and shipped. Amidst strain optimization, process improvement, improved purity, reduced and lowered amount in residuals and impurities, the quality already significantly excels equivalents available from other international suppliers. Where the Company puts forth maximum possible efforts to continually cut its costs, this is the very flagship product highly competitive in the markets.

(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:

Unit: NTD thousand

Item \ Year	2019	March 31, 2020 (Note)
Research and development expenses	195,461	43,995
Net operating income	1,156,642	307,439
Percentage of net operating income	16.90%	14.31%

Note: Not yet audited by the certified public accountant.

2. Technologies and products successfully developed:
   Synthesis research institute:
   (1) Completed the scale-up of the new process for a current antifungal agent Caspofungin Acetate, effectively reduced the production cost and increased market competitiveness.
   (2) Developed Etelcalcetide API Etelcalcetide process.
   (3) Developed the process of API Lanreotide for carcinoid tumor.
   (4) Developed osteoporosis API Abaloparatide process.
   (5) Developed rheumatoid arthritis API Baricitinib process.
   Biotechnology research institute:
   (1) Completed the process development of the second-generation lab process for API immunosuppressive drug Tacrolimus. The fermentation output is 1.5 times of the first-generation process. The improvement can resolve the bottleneck of insufficient fermentation capacity and effectively reduce the cost by more than 20%.
   (2) Completed the scale-up lab process of API oral drug Ribociclib for treating breast cancer. The purity can exceed 99.5%. The new crystal form has been granted patent in Taiwan and the U.S.
   (3) Completed the lab process development of API Midostaurin for treating leukemia. The purity can exceed 99%.
   (4) Completed the lab process development of API oral drug Palbociclib for treating breast cancer. The purity can exceed 99%.
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
Abaloparatide Process amplification	70%	2020 Q2	Quality meeting requirements	NTD8 Million
Baricitinib Process amplification and validation	70%	2020 Q2	Quality and process amplification are key for development and growth.	NTD5 Million
Lanreotide Process amplification and validation	50%	2020 Q4	Quality and process amplification are key for development and growth.	NTD20 Million
Ixazomib Citrate Process amplification and validation	50%	2020 Q4	Quality and process amplification are key for development and growth.	NTD8 Million
Etelcalcetide Process amplification and validation	80%	2021 Q1	Quality and process amplification are key for development and growth.	NTD10 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
Ribociclib Process amplification and validation	60%	2020 Q2	How shall we break through crystal type patents and become competitive enough in price	NTD10 Million
Midostaurin Process amplification and validation	50%	2020 Q3	Quality and process amplification are key for development and growth.	NTD18 Million
Palbociclib Process amplification and validation	70%	2020 Q4	How to avoid patent infringement and keep the price and quality competitive	NTD15 Million
Tacrolimus Process amplification and validation	30%	2021 Q1	Quality and process amplification are key for development and growth.	NTD15 Million

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

1. Long-term business development plan:
   (1) We shall continually boost our research & development momentum, adjust research & development strategies to further develop products in high pricing, high technical threshold with few competitors but highly profitable. Through such efforts we could successfully enhance the productivity and operating benefits at the current business

premises.

(2) The company will develop unique key technologies to develop special products, such as high-growth products such as anti-cancer, high potency and peptide drugs, to support the development of new customers and enhance the niche and appeal of product differentiation.

(3) Develop key technologies such as hydrogenation, optical splitting, asymmetric synthesis and organometallic reactions.

(4) The company will integrate chemical synthesis and microbial fermentation technology to develop biotechnology and semi-synthetic products in the fields of cancer, immunosuppression and anti-fungals, and strengthen product features to facilitate market competition.

(5) 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.

2. Short-term business development plan:

(1) We shall continually enhance the Company's unique fermentation and chemical synthesis technology to distinguish ourselves from other industries that only have chemical synthesis or fermentation technology items to boost the multiple choices of new product development items, enhance our competitiveness in the entire global markets. Meanwhile, we shall try to strengthen the Company's five major advantageous products, *i.e.,* Everolimus, Mycophenolate Mofetil, Rapamycin, Tacrolimus and Caspofungin through further optimized manufacturing process, boosted productivity and minimized costs to further to increase the Company's market share in the markets throughout the world.

(2) The company will ensure compliance with regulations, strengthen the inspection of raw materials and API intermediate supply plants, ensure compliance with the upstream supply plants, raw materials comply with the latest requirements of the official drug regulatory authorities of all countries and the supply is intact, and ensure the quality of the products of the company and the domestic verification of the cGMP factory is continuously passed through the inspection of the US FDA, Japan PMDA and EU EMA.

(3) To develop CDMO/CMO business, by rallying to participate in domestic, foreign major drug makers' new drug R&D plans, through which to enter into early stage joint R&D relation, such as pre-clinical and various clinical stages' intermediary, products' trial, manufacturing process development and related work, in anticipation to form a strategic alliance with major pharmaceutical plants, for joint growth.

(4) The company will enhance multi-party procurement of raw materials to reduce prices, reduce production costs, and actively promote the outsourcing of fermentation intermediates, release the production capacity of fermented intermediates, increase the production of biopharmaceutical raw materials, reduce costs, and increase market share.

(5) Develop solvent recovery technology, continue to incorporate the various management systems and mechanisms, autonomously implement waste reduction and emission reduction operations, reduce operating costs, and fulfill the social obligations of environmental friendliness in response to the increasingly strict environmental protection requirements.

II. Overview of the market and marketing:

(I) Market analysis:

1. Major market of the Company's products

Unit: NTD thousand; %

Region \ Year		2018		2019	
		Amount	%	Amount	%
Exports	Asia	189,528	18.59	243,171	21.02
	America	511,757	50.20	547,103	47.31
	Europe	155,685	15.27	212,988	18.41
	Others	1,592	0.16	35	-
	Subtotal	858,562	84.22	1,003,297	86.74
Domestic sales		160,890	15.78	153,345	13.26
Total		1,019,452	100.00	1,156,642	100.00

2. Market share

The Taiwanese bulk pharmaceutical manufacturing industry is export oriented. Due to its excellent development capability and product quality, many raw material pharmaceutical factories in Taiwan have become important suppliers of famous foreign pharmaceutical companies, but they have been negotiated by the scientific name drug channel and then reduced the price. The fierce influence of international competition has dragged down the output value of the Taiwanese raw material pharmaceutical industry in recent years. As indicated through the data revealed by the DCB Industry Information Group, in Taiwan, the bulk pharmaceutical chemicals or Active Pharmaceutical Ingredient (API) have been primarily export-oriented. In addition to the price-cut war, the export of API) is also suppressed by the joint purchase by generic drug distributors, causing the export value in the third quarter of 2019 to fall by 8.0% in comparison with the corresponding period of the preceding year. We anticipate the export value in the fourth quarter to hit NT$1.03 billion and the annual export value in entire 2019 would be approximately NT$4.05 billion. In terms of export performance in 2019, the Company's export value accounted for approximately 24.7% of the total API export value of entire Taiwan. As the generic drug market scale is continually expanded, we shall continually develop more new products and boost production efficiency to, in turn, expand our market shares step-by-step.

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 drug makers 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 of the Technology Department of the Ministry of Economic Affairs, the API market has been affected by the expiry of generic drug patents for the best-selling Active Pharmaceutical Ingredient (API), the market reached US$75 billion in the past three years. The huge business opportunities of generic drugs drive the growth of the API market. To put it in more understandable terms, the global demand for APIs will also reach its peak within three years and directly drive the growth momentum of the domestic API market to take orders.

(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 drugmakers 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 India has led to excessive production from European drugmakers. 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 players changing their business strategies and conducting industrial restructuring to improve production efficiency, the industry manages to maintain a steady growth. According to the data from TrendForce, the global pharmaceutical industry expects to keep its annual growth between 5-6%, and the global market value in 2023 may reach US$ 1.54 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 February 2018, the Company was granted a pass in the follow-up inspection of its products by the competent authority in Taiwan. In November 2018, the Company was further granted cGMP (Current Good Manufacturing Practices) factory verification by the US Food and Drug Administration (FDA). Further in June 2019, the Company once more passed the European-France certification for the inspection of Methocarbamol. In addition to the official factory inspections verification in Taiwan, the United States and Japan, our Company has further successfully passed the factory inspection certification for the biotechnological plants based on Pravastatin by the Japanese Competent Authority (PMDA) and the most strict pharmaceutical certification unit in Europe, the Cologne Pharmaceutical License Management Office. We have met the cGMP standards of various global pharmaceutical companies. Being listed on the certification platforms will encourage global drugmakers 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 drugmakers 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 18 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 drugmakers 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 With years of hands-on experiences in cGMP production , the approval of the domestic raw material cGMP factory inspection verification for domestic Active Pharmaceutical Ingredient (API) plant verification as well as verification through the US FDA, EU Germany inspection factory verification and Japan PMDA verification, we got enough proofs to ensure existing cGMP products and the development of new products exported to the European, American and Japanese markets. The Company's products are primarily export-oriented with stable and solid performance 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 drugmakers 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, 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 became the 45th president of the United States, he announced his withdrawal from the TPP (Trans-Pacific Partnership Agreement) and the direction of US policy, especially the “China-US trade war,” “protectionism,” “fair trade,” and “the dollar is too strong”, these speeches and actions on the topics have made the risk of the US dollar against major currency exchange rates rise.

(3) Countermeasures:

The company put efforts to diversify its supply and seek qualified suppliers in India and other emerging market 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.

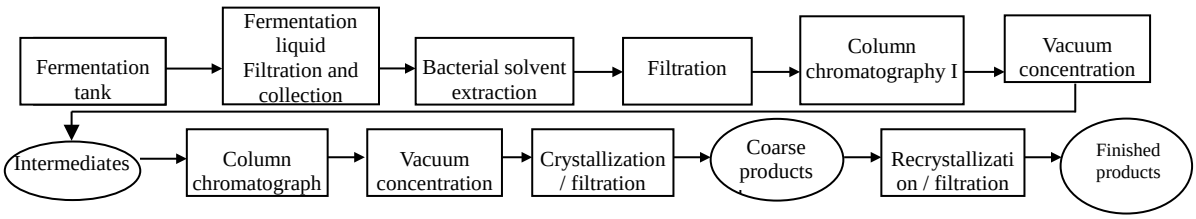
④ Ethyl Icosapentate: Lower triglyceride

⑤ Omega-3 Carboxylic Acids: Lower triglyceride

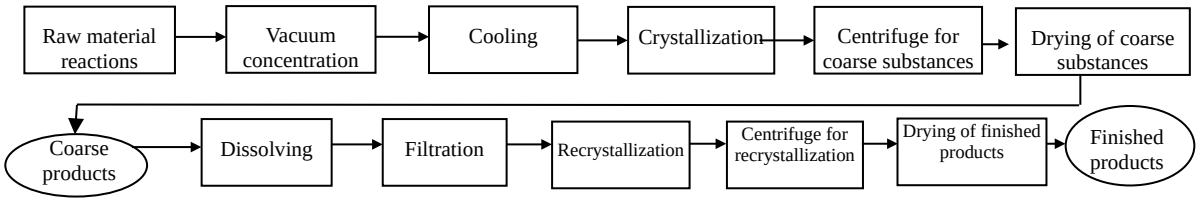
⑥ Others: Including Fluconazole, which treats respiratory and digestive tract diseases caused by Candida and Microcystis fungi.

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/Compactin	Supplier A/C	Good
Chemicals	Supplier D	
	Supplier E	
Solvents	Supplier F	
Guaiacol	Supplier G	
FCZ-C	Supplier H	

(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

Unit: NTD thousand

	2018				2019				As of the end of the previous quarter in 2020 (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	152,013	44.49	None	Supplier A	100,188	25.70	None	—	—	—	—
2	Supplier B	40,644	11.89	None	—	—	—	None	—	—	—	—
3	Others	149,048	43.62	—	Others	289,667	74.30	—	—	—	—	—
	Net purchase	341,705	100.00	—	Net purchase	389,855	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 why behind the increase/decrease changes: In 2019 where product process changes were subject to customer consent, the quantity of raw materials purchased from Supplier A decreased, resulting in a reduction in the total amount of raw materials purchased. In 2019, in accordance with the Company's procurement policy, the purchase of raw materials from Supplier B was suspended.

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

Information about the main clients the past two years

Unit: NTD thousand

	2018				2019				As of the end of the previous quarter in 2020 (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 A	317,386	31.13	None	Client B	294,300	25.44	None	—	—	—	—
2	Client B	136,806	13.42	None	Customer C	117,903	10.19	None	—	—	—	—
3	Others	565,260	55.45	—	Others	744,439	64.37	—	—	—	—	—
	Net sales	1,019,452	100.00	—	Net sales	1,156,642	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 why behind the increase/decrease changes: Net sales in year 2019 increased compared with 2018, due primarily to increased market demand for Everolimus, Tacrolimus, Methocarbamol products, especially Customer C due to changes in the Tacrolimus channel system which resulted in increased demand in advance in 2019 while the original Customers A and B were consolidated, leading to a relative increase in sales volume of Customer B .

(V) Production volume the most recent two years:

Unit: amount (kg), value (NTD in thousands)

Year / Main products	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Biotechnology products	66,328	49,738	626,513	51,003	38,949	598,376
Non-biotechnology products	196,675	94,494	126,113	346,607	225,359	206,122
Total	263,003	144,232	752,626	397,610	264,308	804,498

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

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

Unit: amount (kg), value (NTD in thousands)

Year / Sales revenue / Main products	2018				2019			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Biotechnology products	221	60,296	51,993	771,979	122	62,236	35,660	846,668
Non-biotechnology products	34,422	100,594	74,421	86,583	38,692	79,096	123,426	156,629
Labor revenue	-	-	-	-	-	12,013	-	-
Total	34,643	160,890	126,414	858,562	38,814	153,345	159,086	1,003,297

III. Employees:

Year		2018	2019	Year-to-date April 30, 2020
Number of employees	Administrative department	30	29	28
	Quality control	36	35	37
	Production (Note)	162	156	145
	R&D	57	68	67
	Marketing	9	10	11
	Total	294	298	288
Average age		37.0	37.1	37.6
Average years of service		7.2	7.6	8.0
Academic qualification	Doctoral Degree	6.5%	5.7%	5.9%
	Master’s Degree	24.1%	25.5%	27.1%
	Bachelor’s Degree	40.8%	41.3%	41.7%
	High school	26.9%	25.8%	23.6%
	Below high school	1.7%	1.7%	1.7%

Note: 2018, 54 production staff, including foreign workers. 2019, 55 production staff, including foreign workers. As of April 30, 2020, 46 production staff, including foreign workers.

IV. Environmental protection expenditure:

In the latest fiscal year and as of the publication date of the annual report, losses resulting from pollution to the environment (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the file number of the punishment, the provisions of the statute, the content of the violation of the statute, and the content of the punishment) should be listed, and the current and future estimates should be disclosed as well. If the amount and the corresponding measures cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated: no fact ever existed.

V. Employer and employee relationships:

(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:

Employees are the most important assets of the company. The company provides a safe and comfortable office environment. It is a 45-minute flexible working time for the understanding of the hard work of the children and the long-distance commuting.

In addition to various group insurance plans and proper health examinations, we take care of our colleagues' health and establish a diverse community to encourage employees to participate actively, so that employees can achieve a balance between work and family, family and self.

The employees who have served for one year enjoy 100% ESOP (Employee Stock Ownership Plan) awards in the company. The ESOP help the company's colleagues to achieve long-term savings and accumulated wealth through the "ESOP" to ensure the stability of the future life and enhance employees' sense of belonging to the company. Employees could have the ability to hold company stocks and share business profit.

The company immediately announced on various occasions that the company would not be classified as race, class, language, thought, religion, partisanship, place of birth, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities or former union members. The company will implement workplace equality, building a happy enterprise, and move towards a society of plural respect.

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 in the company, who are married, mourned, happy, and celebrated are entitled to a vacation and receive a subsidy for benefits, in addition to the provisions of the Law on Labor. In 2019, there were 27 applicants.

(5) A monthly birthday gift is issued to employees in the company; a total of 292 persons were issued them in 2019.

(6) Employees can receive annual bonuses or prizes during festivals such as Spring Festival, Labor Day, Dragon Boat Festival and Mid-Autumn Festival; a total of 1,164 people were issued them in 2019.

(7) The Company sponsors employee tours or provides travel subsidies from time to

time.

(8) Employee housing or dorms

(9) All employees got 100% subsidy for shareholding trust for their secured retired life.

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 2019:

Types of training	Man-hours	Total cost (NTD in thousands)
cGMP	5,681	584
SOP	567	
Specialized training	886	
Instrument	592	
New-hires	264	
General	804	
Others	894	
Total training hours	9,688	
Average training hours / per person per year	32.51	

3. Retirement system and implementation progress

The Company has duly stipulated Regulations Governing Retirement in accordance with Labor Standards Act (hereinafter referred to as “Old System”). Exactly in accordance with the requirements set forth under “Regulations Governing Appropriation and Management for Labor Pension Reserve Fund” promulgated by the Ministry of the Interior, the Company appropriates 5% of the aggregate total of salaries payable and deposit the same into the Account Earmarked for Labor Pension Fund in the Bank of Taiwan on a monthly basis.

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.

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

1. Voluntary retirement:
   Workers encountering one of the following circumstances may apply for retirement: (those choosing the Labor Pension Act are processed per the same act's regulations).）
   (1) Having been employed for more than fifteen years and more than 55 years of age.
   (2) Having been employed for more than twenty-five years
   (3) Having been employed for more than ten years and more than 60 years of age.
2. Mandatory retirement:
   Of employees other than those meeting one of the circumstances below, the company may not force them to retire:
   (1) More than 65 years of age.
   (2) Having lost mental capacity or having been physically disabled and thus incompetent to work

   The preceding section article 1 specified age for those rendering work with a hazardous, strong stamina and related special nature, the company may declare with competent central government authorities for approval to adjust it. However, it may not fall below fifty-five years of age.
3. Pension payout standard:
   (1) Of employees eligible to the working seniorities before and after the Employment Standards Act and choosing to stay on "Employment Standards Act" pension regulations per the Employment Standards Act or retain their working seniority prior to the applicable Employment Standards Act, their pension payout and the standard are calculated and paid out per Employment Standards Act article 84-2 and article 55.
   (2) Of employees commanding the preceding section's working seniorities and are subject to a mandatory retirement per article 35 par I subpar II stipulations, whose mental loss or physical disability has been a result of rendering their duties, their payout is made per Employment Standards Act article 55 par I subpar II regulations plus an additional twenty percent.
   (3) Of employees eligible to the Labor Pension Act regulations, the company allocates a 6% of whose working wages to a worker's individual pension account.
4. Pension payout:
   The company shall pay to its employees when the retirement pension is paid out, within thirty days from an employee's retirement date.
5. Fact in appropriation of pension fund:
   Old pension mechanism: The labor pension reserve fund appropriated in accumulation totaled at NT$130.394 million as of December 31, 2019,

   New pension mechanism: In 2019, the total amount amortized came to NT$8.314 million.

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

Item	Content
Entrance Security	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 January 2019, July 2019) and issue certificates. Boiler (completed as of March, May and November of 2019), high-pressure equipment (completed as of February and March 2019) and Class 1 pressure vessel (completed as of May 2019) 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.
Disaster prevention and response actions	1. In order to maintain the safety and health of employees, the Department of Safety and Health is established, and two occupational safety and health administrators are prepared to handle occupational safety and health affair related business. 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. One drill was held on May 24 and the other on November 21 respectively in 2019 with a total of 67 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 294 people took the health examination in 2019, including 57 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 August 2019. There were 3 product processes areas and research department, 8 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

Item	Content
	anonymous or with employees' name attached and the president office 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 2019, a total 10 education and training sessions on general safety and health were held, with a total of 30 participants. A total of 9 education and training sessions on chemical hazards were held, with a total of 22 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 48 specialized licenses. In 2019, 20 people took re-training course and 3 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) In the latest fiscal year and as of the publication date of the annual report, the loss incurred by a labor dispute (including an event where the result of labor examination proves in contravention of Labor Standards Act which should be expressly enumerated with the date, file number of penalties, contents of violated laws, contents of offense and contents of penalty) with disclosure of the estimated amounts at the moment and in the future as well as countermeasures thereof: no such fact ever existed.

VI. Contribution to Environmental Protection

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
Loans contract	Hua Nan Commercial Bank	2019/12/27~2021/12/27	Long-term borrowings	Mortgage of land
Commission contract	Company A	2019/06/03~2020/06/02	Sales commission contract	Privacy Policy
Commission contract	Company B	2020/01/01~2020/12/31	Sales commission contract	Privacy Policy
Sales cooperation	Company C	2019/01/01~2022/12/31	Sales cooperation contract for immunosuppressant	Privacy Policy
Sales cooperation	Company D	2017/11/27~2027/11/26	Sales cooperation contract for immunosuppressant	Privacy Policy
Sales cooperation	Company E	2019/02/18~2024/02/17	Sales contract for painkillers	Privacy Policy

Six. Financial summary

I. Concise balance sheet, comprehensive income statement, and CPA names and audit opinions for the last five years:

(I) Condensed balance sheet for the past five years

1. Condensed and consolidated balance sheet - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year		Financial information for the latest 5 years (Note 1)					The current year as of March 31, 2020 Financial information (Note 3)
		2015	2016	2017	2018	2019	
Current assets		864,494	728,768	1,027,116	613,794	687,581	—
Available-for-sale financial assets -non-current		99,306	91,512	93,775	—	—	—
Financial assets carried at cost – non-current		33,115	33,115	30,000	—	—	—
Financial assets that are measured at fair value through profit or loss-non-current		—	—	—	29,978	28,160	—
Investments accounted for by the equity method		—	—	—	325,381	478,894	—
property , plant, and equipment		1,838,916	1,837,806	2,242,930	2,195,594	2,180,308	—
Right-of-use assets		—	—	—	—	5,418	—
Real property for investment- net		10,700	10,700	10,700	10,700	10,700	—
Intangible assets		1,297	214	3,185	2,193	1,250	—
Deferred income tax assets		17,291	13,076	14,787	20,511	19,075	—
Other current non-assets		5,514	10,451	25,432	23,267	27,461	—
Total assets		2,870,633	2,725,642	3,447,925	3,221,418	3,438,847	—
Current liabilities	Before dividend distribution	635,101	611,558	808,308	425,690	576,422	—
	After dividend distribution	751,441	650,338	847,088	518,762	(Note 2)	—
Non-current liabilities		371,738	342,917	818,396	811,825	847,293	—
Total liabilities	Before dividend distribution	1,006,839	954,475	1,626,704	1,237,515	1,423,715	—
	After dividend distribution	1,123,179	993,255	1,665,484	1,330,587	(Note 2)	—
Attributable to owners of the parent company		1,835,710	1,770,873	1,820,828	1,983,657	2,014,900	—
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	728,805	671,989	720,928	873,169	898,946	—
	After dividend distribution	612,465	633,209	682,148	780,097	(Note 2)	—
Other equity		(3,018)	(11,039)	(10,023)	565	6,031	—
Treasury stock		—	—	—	—	—	—
non-controlling interests		28,084	294	393	246	232	—
Total equity	Before dividend distribution	1,863,794	1,771,167	1,821,221	1,983,903	2,015,132	—
	After dividend distribution	1,747,454	1,732,387	1,782,441	1,890,831	(Note 2)	—

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

Note 2: The dividend payment for 2019 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 individual balance sheet - International Financial Reporting Standards

Unit: NTD thousand

Year / Item		Financial information for the latest 5 years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		804,454	704,779	953,224	573,219	649,517
Available-for-sale financial assets - non-current		99,306	91,512	93,775	—	—
Financial assets carried at cost – non-current		30,000	30,000	30,000	—	—
Financial assets that are measured at fair value through profit or loss-non-current		—	—	—	29,978	28,160
Investments accounted for by the equity method		33,349	24,408	61,542	355,439	506,939
property , plant, and equipment		1,838,842	1,837,720	2,242,419	2,195,207	2,180,291
Right-of-use assets		—	—	—	—	2,672
Real property for investment- net		10,700	10,700	10,700	10,700	10,700
Intangible assets		1,297	214	3,185	2,193	1,250
Deferred income tax assets		17,291	13,076	14,787	20,285	18,796
Other current non-assets		5,414	10,353	25,341	23,174	27,370
Total assets		2,840,653	2,722,762	3,434,973	3,210,195	3,425,695
Current liabilities	Before dividend distribution	633,205	608,972	795,749	414,713	565,114
	After dividend distribution	749,545	647,752	834,529	507,785	(Note 2)
Non-current liabilities		371,738	342,917	818,396	811,825	845,681
Total liabilities	Before dividend distribution	1,004,943	951,889	1,614,145	1,226,538	1,410,795
	After dividend distribution	1,121,283	990,669	1,652,925	1,319,610	(Note 2)
Attributable to owners of the parent company		1,835,710	1,770,873	1,820,828	1,983,657	2,014,900
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	728,805	671,989	720,928	873,169	898,946
	After dividend distribution	612,465	633,209	682,148	780,097	(Note 2)
Other equity		(3,018)	(11,039)	(10,023)	565	6,031
Treasury stock		—	—	—	—	—
non-controlling interests		—	—	—	—	—
Total equity	Before dividend distribution	1,835,710	1,770,873	1,820,828	1,983,657	2,014,900
	After dividend distribution	1,719,370	1,732,093	1,782,048	1,890,585	(Note 2)

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

Note 2: The dividend payment for 2019 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 and comprehensive income statement - International Financial Reporting Standards

Unit: NTD thousand

Year / Item	Financial information for the latest 5 years (Note 1)					The current year as of March 31, 2020 Financial information (Note 2)
	2015	2016	2017	2018	2019	
Operating revenues	1,162,211	1,198,670	1,168,248	1,019,452	1,156,642	—
Operating gross profit	406,473	414,462	407,866	351,510	468,629	—
Operating gains and losses	99,515	98,130	78,135	30,976	121,108	—
Non-operating revenues and expenses	236,591	(5,041)	31,402	209,270	22,635	—
Earnings before tax	336,106	93,089	109,537	240,246	143,743	—
Continuing operations Current period net profit	308,311	60,183	85,891	234,288	117,124	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	308,311	60,183	85,891	234,288	117,124	—
Other comprehensive income for the period (post-tax profit or loss)	(4,987)	(8,784)	2,943	(32,585)	7,303	—
Total comprehensive income for the period	303,324	51,399	88,834	201,703	124,427	—
Net income attributable to owners of the parent company	308,356	60,283	85,766	234,251	117,003	—
Net income attributable to non-controlling interests	(45)	(100)	125	37	121	—
Total comprehensive income attributable to owners of the parent company	303,355	51,503	88,735	201,666	124,315	—
Total comprehensive income attributable to non-controlling interests	(31)	(104)	99	37	112	—
Earnings per share ($)	3.98	0.78	1.11	3.02	1.51	—

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 individual income statement - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)				
	2015	2016	2017	2018	2019
Operating revenues	1,148,686	1,159,773	1,141,506	994,632	1,135,207
Operating gross profit	375,650	391,325	384,176	658,526	686,650
Operating gains and losses	89,316	95,930	69,219	28,971	113,861
Non-operating revenues and expenses	242,319	(3,407)	28,902	208,108	27,142
Earnings before tax	331,635	92,523	98,121	237,079	141,003
Current net profits from continuing operations	308,356	60,283	85,766	234,251	117,003
Gain(loss) from discontinued operations	–	–	–	–	–
Current period net profit (loss)	308,356	60,283	85,766	234,251	117,003
Other comprehensive income for the period (post-tax profit or loss)	(5,001)	(8,780)	2,969	(32,585)	7,312
Total comprehensive income for the period	303,355	51,503	88,735	201,666	124,315
Net income attributable to owners of the parent company	308,356	60,283	85,766	234,251	117,003
Net income attributable to non-controlling interests	–	–	–	–	–
Total comprehensive income attributable to owners of the parent company	303,355	51,503	88,735	201,666	124,315
Total comprehensive income attributable to non-controlling interests	–	–	–	–	–
Earnings per share ($)	3.98	0.78	1.11	3.02	1.51

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

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

Year	Name of auditor	Audit 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
2018	Shufen Yu, Shu-Qiong Zhang	Unqualified opinion
2019	Shu-Qiong, Zhang, Shufen Yu	Unqualified opinion

II. Financial analysis for the latest 5 years:

(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, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt to assets ratio	35.07	35.01	47.17	38.41	41.4	—
	Ratio of long-term capital to property, plant and equipment	121.56	115.03	117.68	127.33	131.28	—
Solvency (%)	Current ratio	136.11	119.16	127.06	144.18	119.28	—
	Liquid ratio	68.22	52.89	52.29	57.39	47.27	—
	Interest coverage ratio	41.14	15.18	14.11	23.10	14.53	—
Management capacity	Receivable turnover ratio (times)	6.74	5.94	5.65	5.47	8.17	—
	Average collection days	54.15	61.44	64.60	66.72	44.67	—
	Average inventory turnover (times)	1.47	1.58	1.72	1.55	1.47	—
	Average payables turnover (times)	9.94	11.72	12.01	11.38	9.81	—
	Average inventory turnover days	248.29	231.01	212.20	235.48	248.29	—
	Fixed asset turnover (times)	0.63	0.65	0.57	0.43	0.52	—
	Total asset turnover (times)	0.38	0.42	0.37	0.30	0.34	—
Profitability	Return on assets (%)	10.37	2.34	3.00	7.28	3.77	—
	Return on equity (%)	17.72	3.31	4.78	12.31	5.85	—
	Ratio of pre-tax net income to paid-in capital (%)	43.33	12.00	14.12	30.97	18.53	—
	Net profit margin (%)	26.52	5.02	7.35	22.98	10.12	—
	Earnings per share ($)	3.98	0.78	1.11	3.02	1.51	—
Cash flow	Cash flow ratio (%)	12.54	42.72	19.71	55.12	46.51	—
	Cash flow adequacy ratio (%)	33.89	41.20	37.45	44.11	61.72	—
	Cash flow reinvestment ratio (%)	1.20	4.29	3.01	4.60	4.64	—
Leverage	Operating leverage	4.46	4.80	6.13	14.11	4.54	—
	Financial leverage	1.09	1.07	1.11	1.54	1.09	—

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. Interest coverage ratio (times) dropped, due primarily to the facts that the land sales interests were recognized in the corresponding period of the preceding year while the net profit before tax this term decreased.
2. The increase in the receivables turnover rate and the decrease in the average cash collection days due primarily to the growth in operating income for the current period and the sound performance in collection of receivables.
3. The fixed asset turnover ratio increased, which was due to the increase in the sales during the period compared with that of the same period last year.
4. The return rate on assets, the return rate on equity, the ratio of net profit before tax to paid-in capital, net profitability and decrease om earnings per share due primarily to the recognition of interest in the sale of land in in the corresponding period of the preceding year and the net profit in the current period decreased from the same period last year.
5. The increase in the cash flow allowable appropriateness ratio due mainly due to the increase in net cash inflow from operating activities in the current period.
6. The decrease in operating leverage and financial leverage, due primarily to the increase in the proportion of revenue from sales of high-margin products in the current period, resulting in an increase in operating profit in this period compared to the same period of the preceding year.

(II) Individual financial analysis- IFRS

Items of analysis \ Year		Financial analysis for the latest 5 years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to assets ratio	35.37	34.96	46.99	38.20	41.18
	Ratio of long-term capital to property, plant and equipment	120.04	115.02	117.69	127.34	131.2
Solvency (%)	Current ratio	127.04	115.73	119.78	138.22	114.93
	Liquid ratio	62.35	50.63	44.70	49.48	41.72
	Interest coverage ratio	40.60	15.09	12.74	22.81	14.33
Management capacity	Receivable turnover ratio (times)	6.02	4.92	5.05	5.34	8.15
	Average collection days	60.63	74.18	72.27	68.35	44.78
	Average inventory turnover (times)	1.55	1.60	1.74	1.54	1.49
	Average payables turnover (times)	10.16	11.49	11.98	11.22	9.79
	Average inventory turnover days	235.48	228.12	209.77	237.01	244.96
	Fixed asset turnover (times)	0.62	0.63	0.55	0.42	0.51
	Total asset turnover (times)	0.38	0.41	0.37	0.29	0.34
Profitability	Return on assets (%)	10.50	2.36	3.01	7.31	3.78
	Return on equity (%)	18.10	3.34	4.77	12.31	5.85
	Ratio of pre-tax net income to paid-in capital (%)	42.75	11.92	12.65	30.56	18.17
	Net profit margin (%)	26.84	5.19	7.51	23.55	10.30
	Earnings per share ($)	3.98	0.78	1.11	3.02	1.51
Cash flow	Cash flow ratio (%)	10.88	41.17	23.00	63.64	48.23
	Cash flow adequacy ratio (%)	33.91	41.27	37.52	44.79	64.20
	Cash flow reinvestment ratio (%)	0.89	3.98	3.60	5.29	4.74
Leverage	Operating leverage	4.73	4.76	6.66	14.75	4.69
	Financial leverage	1.10	1.07	1.13	1.60	1.10

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. Interest coverage ratio (times) dropped, due primarily to the facts that the land sales interests were recognized in the corresponding period of the preceding year while the net profit before tax this term decreased.
2. The increase in the receivables turnover rate and the decrease in the average cash collection days due primarily to the growth in operating income for the current period and the sound performance in collection of receivables.
3. The fixed asset turnover ratio increased, which was due to the increase in the sales during the period compared with that of the same period last year.
4. The return rate on assets, the return rate on equity, the ratio of net profit before tax to paid-in capital, net profitability and decrease om earnings per share due primarily to the recognition of interest in the sale of land in in the corresponding period of the preceding year and the net profit in the current period decreased from the same period last year.
5. The decrease in cash flow ratio due primarily to the increase in current liabilities in the current period.
6. The increase in the cash flow allowable appropriateness ratio due mainly due to the increase in net cash inflow from operating activities in the current period.
7. The decrease in operating leverage and financial leverage, due primarily to the increase in the proportion of revenue from sales of high-margin products in the current period, resulting in an increase in operating profit in this period compared to the same period of the preceding year.

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)

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Audit Committees' Review Report

The board of directors submitted the company’s 2019 business report, financial statements (consolidated and individual financial statements) and Earnings Distribution. 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 2020 Shareholders’ Meeting of Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Audit Committee Convener, Kuo-Chiang Wang

March 9, 2020

IV.Latest financial reports

Auditor's Report

(2020) Cai-Shen-Bao-Zi No. 19003506

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.,

Audit opinion

We have audited the accompanying proprietary consolidated balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries (hereinafter referred to as Chunghwa Group) as of December 31, 2019 and 2018 and the related consolidated statements of income, of changes in shareholders' equity and of cash flows and Notes to consolidated financial statement (including significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Group as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC).

Basis of an audit opinion

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of "independent auditor's responsibility for consolidated financial statements." The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Group in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2019 consolidated financial statements of Chunghwa Group. The key audit matters have been responded to in the process of auditing the consolidated financial statements as a whole and forming an audit opinion; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items from the 2019 consolidated financial statement of Chunghwa Chemical Synthesis and Biotech Co., Ltd. are presented below:

Accounting assessment of inventory valuation

Description of the matter

See Note 4 (12) in the consolidated financial report regarding the accounting policy on inventory valuation, Note 5 (2) for the accounting assessment and hypothetical uncertainty on inventory valuation, and Note 6 (4) for the description of the inventory account.

Chunghwa Chemical Synthesis & Biotech Ltd. is engaged mainly in the production and sale of active pharmaceutical ingredients. Since drug tests are now stricter and it takes a longer time to obtain drug certificates, the risk of inventory loss or obsolescence becomes higher. Since the inventories involve large amounts of money and large numbers of items that require laborious work by human beings to identify expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

The responsive auditing process

Our key audit procedures performed in respect of the above area included the following:

1. Assessing the policy on allowance to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the business.
2. Performing sampling tests to examine if the market price of net realized value is consistent with the Company's policy, and randomly examining the accuracy of the selling price of individual inventory parts and the way net realized value is calculated.
3. Obtain out-of-date inventory details that are identified by the management, check the related information and verify the account records.

Checking whether the time point of sales income recognition is appropriate

Description of the matter

See Note 4 (27) in the consolidated financial report for the accounting policy on income recognition. As stated in the accounting policies, the sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and Chunghwa Chemical Synthesis and Biotech has no outstanding performance obligations which may affect customers' acceptance of products. As exports are the main source of income for Chunghwa Chemical Synthesis & Biotech Co., Ltd., the terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

The responsive auditing process

Our key audit procedures performed in respect of the above area included the following:

1. The group's operating procedure for and internal control on income recognition time points were examined and assessed, while the Company's internal control on sales deadlines was tested to verify the correctness of the income recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

Other matters - individual financial report

Chunghwa Group has compiled its 2019 and 2018 individual financial statements, for which we issued unqualified opinion.

The responsibility of the management and management units to the consolidated financial statements

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC); also, maintain the necessary internal controls related to the consolidated financial statements in order to ensure that the consolidated financial statements are free of any material misstatement arising from fraud or errors.

While preparing the consolidated financial statements, the management’s responsibility also includes assessing the continuing operation of Chunghwa Group, the disclosure of the relevant matters, and the adoption of the accounting base for continuing operation, unless the management intends to liquidate Chunghwa Group or cease the business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Group are responsible for supervising the financial reporting process.

The responsibilities of the independent auditor to the consolidated financial statements

The purpose of the independent auditor’s auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the consolidated financial statements, it is considered significant.

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

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the consolidated financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Group.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Group are with significant uncertainties. If the independent auditor believes that such events or circumstances are with significant uncertainties, it is necessary to remind the users of the consolidated financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Group to continue operating.
5. Assess the overall expression, structure, and content of the consolidated financial statements (including the relevant notes) and whether or not the relevant transactions and events in the consolidated financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

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

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2019 consolidated financial statements of Chunghwa Group. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PricewaterhouseCoopers, Taiwan

March 26, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the ROC.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: NTD thousand

	Assets	Additional notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 101,220	3	$ 106,367	4
1140	Contract assets - Current	6 (17)	452	-	-	-
1150	Notes receivable-net	6(3)	345	-	666	-
1170	Net accounts receivable	6(3)	125,268	4	105,404	3
1180	Account receivables-Related Parties-net	7	24,293	1	26,449	1
1200	Other receivable	4(3)	20,908	-	5,447	-
1220	Current income tax assets		431	-	2,076	-
130X	Inventory	6 (4)	412,184	12	362,398	11
1410	Prepayments		2,480	-	4,987	-
11XX	**Total of Current Assets**		687,581	20	613,794	19
	Non-Current assets					
1510	Financial assets that are measured at fair value through profit or loss-non-current	6 (2)	28,160	1	29,978	1
1550	Investments accounted for by the equity method	6 (5)	478,894	14	325,381	10
1600	Property , plant, and equipment	6 (6) (8) and 8	2,180,308	63	2,195,594	68
1755	Right-of-use assets		5,418	-	-	-
1760	Real property for investment- net	6 (7)	10,700	-	10,700	-
1780	Intangible assets		1,250	-	2,193	-
1840	Deferred income tax assets	6 (22)	19,075	1	20,511	1
1900	Other current non-assets	6 (13)	27,461	1	23,267	1
15XX	**Total of Non-Current Assets**		2,751,266	80	2,607,624	81
1XXX	**Total assets**		$ 3,438,847	100	$ 3,221,418	100

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (9)	$ 70,000	2	$ 150,000	5
2110	Short-term bills payable	6 (10)	219,740	6	79,956	2
2130	Contract liabilities - Current	6 (17)	61,640	2	1,579	-
2150	Payable notes		1,192	-	1,192	-
2170	Accounts payable		77,226	2	60,595	2
2200	Other payable	6 (11)	125,399	4	118,636	4
2230	Current Income Tax Liability		15,948	1	12,878	-
2280	Lease liabilities – Current		2,657	-	-	-
2399	Other current liabilities- other		2,620	-	854	-
21XX	**Total of current liabilities**		576,422	17	425,690	13
	Non-current liabilities					
2540	Long-term borrowings	6 (12) and 8	600,000	17	567,440	18
2570	Deferred income tax liabilities	6 (22)	244,584	7	243,863	7
2580	Lease liabilities – Non-current		2,709	-	-	-
2645	Deposits received		-	-	522	-
25XX	**Total of non-current liabilities**		847,293	24	811,825	25
2XXX	**Total liabilities**		1,423,715	41	1,237,515	38
	Attributable to owners of the parent company					
	Share capital	6 (14)				
3110	Ordinary shares capital		775,600	23	775,600	24
	Capital reserve	6 (15)				
3200	Capital reserve		334,323	10	334,323	11
	Retained earnings	6 (16)				
3310	Legal earnings reserve		159,344	5	135,919	4
3320	Special earnings reserve		183,296	5	183,296	6
3350	Undistributed earnings		556,306	16	553,954	17
	Other equity					
3400	Other equity		6,031	-	565	-
31XX	**Equity attributable to owners of the parent Company**		2,014,900	59	1,983,657	62
36XX	**non-controlling interests**		232	-	246	-
3XXX	**Total equity**		2,015,132	59	1,983,903	62
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Major post-balance sheet events	6 (16) and 11				
3X2X	**Total liabilities and equity**		$ 3,438,847	100	$ 3,221,418	100

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated comprehensive income statements
January 1 to December 31, 2019 and 2018

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating revenues**	6(17) and 7	$ 1,156,642	100	$ 1,019,452	100
5000	**Operating cost**	6(4)(21)	(688,013)	(60)	(667,942)	(66)
5900	**Operating gross profit**		468,629	40	351,510	34
	Operating expenses	6 (21)				
6100	Marketing expenses		(75,614)	(6)	(78,756)	(7)
6200	Administrative expenses		(76,446)	(7)	(80,325)	(8)
6300	Research and development expenses		(195,461)	(17)	(161,537)	(16)
6450	Expected gain on credit impairment	12 (2)	-	-	84	-
6000	**Total operating expenses**		(347,521)	(30)	(320,534)	(31)
6900	**Operating profit**		121,108	10	30,976	3
	Non-operating revenues and expenses					
7010	Other revenue	6 (5) (7) (18)	9,230	1	14,522	2
7020	Other profits and losses	6 (2) (8) (19)	(4,199)	-	204,216	20
7050	Financial costs	6 (20)	(10,617)	(1)	(10,870)	(1)
7060	Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	28,221	2	1,402	-
7000	**Total non-operating revenues and expenses**		22,635	2	209,270	21
7900	**Earnings before tax**		143,743	12	240,246	24
7950	Income tax expense	6 (22)	(26,619)	(2)	(5,958)	(1)
8200	**Current period net profit**		$ 117,124	10	$ 234,288	23

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated comprehensive income statements
January 1 to December 31, 2019 and 2018

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2019 Amount	2019 %	2018 Amount	2018 %
	Other comprehensive income (net)					
	Items not re-classified under profit or loss					
8311	Defined benefit plan revaluation amount and volume	6 (13)	$ 2,542	-	($ 2,494)	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income		-	-	(30,108)	(3)
8320	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	6 (5)	8,193	1	(828)	-
8349	Income tax related to accounts not being reclassified	6 (22)	(508)	-	248	-
8310	**Total amount of items not reclassified to profit or income**		10,227	1	(33,182)	(3)
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences arising from translating the financial statements of foreign operations		(451)	-	383	-
8370	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss.		(2,473)	-	214	-
8360	**Total amount of items probably reclassified to profit or loss subsequently**		(2,924)	-	597	-
8300	**Other comprehensive income (net)**		$ 7,303	1	($ 32,585)	(3)
8500	**Total comprehensive income for the period**		$ 124,427	11	$ 201,703	20
	Profit attributable to:					
8610	Owners of parent		$ 117,003	10	$ 234,251	23
8620	non-controlling interests		$ 121	-	$ 37	-
	Total comprehensive income attributable to:					
8710	Owners of parent		$ 124,315	11	$ 201,666	20
8720	non-controlling interests		$ 112	-	$ 37	-
	Earnings per share	6 (23)				
9750	**Base earnings per share**		$	1.51	$	3.02
9850	**Diluted earnings per share**		$	1.50	$	2.99

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated statement of changes in equity
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

		Attributable to owners of the parent company										
			Capital reserve		Retained earnings			Other equity				
	Additional notes	Ordinary shares capital	Issuance premium	Others	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Total	non-controlling interests	Total equity
2018												
Balance as of January 1, 2018		$ 775,600	$ 333,746	$ 577	$ 127,342	$ 183,296	$ 410,290	($ 373)	$ -	$ 1,830,478	$ 393	$ 1,830,871
Effects applying the modified retrospective approach		-	-	-	-	-	(57)	-	(9,650)	(9,707)	-	(9,707)
Balance on January, 1 2018 after adjustment		775,600	333,746	577	127,342	183,296	410,233	(373)	(9,650)	1,820,771	393	1,821,164
Current period net profit		-	-	-	-	-	234,251	-	-	234,251	37	234,288
Current other comprehensive income	6(3)	-	-	-	-	-	(3,415)	597	(29,767)	(32,585)	-	(32,585)
Total comprehensive income for the period		-	-	-	-	-	230,836	597	(29,767)	201,666	37	201,703
The 2017 appropriation and distribution of earnings:	6 (16)											
Legal earnings reserve		-	-	-	8,577	-	(8,577)	-	-	-	-	-
Cash dividend		-	-	-	-	-	(38,780)	-	-	(38,780)	-	(38,780)
Equity instrument at fair value through other comprehensive income statement	6 (5)	-	-	-	-	-	(39,758)	-	39,758	-	-	-
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	(184)	(184)
Balance at December 31, 2018		$ 775,600	$ 333,746	$ 577	$ 135,919	$ 183,296	$ 553,954	$ 224	$ 341	$ 1,983,657	$ 246	$ 1,983,903
2019												
Balance as of January 1, 2019		$ 775,600	$ 333,746	$ 577	$ 135,919	$ 183,296	$ 553,954	$ 224	$ 341	$ 1,983,657	$ 246	$ 1,983,903
Current period net profit		-	-	-	-	-	117,003	-	-	117,003	121	117,124
Current other comprehensive income		-	-	-	-	-	1,846	(2,915)	8,381	7,312	(9)	7,303
Total comprehensive income for the period		-	-	-	-	-	118,849	(2,915)	8,381	124,315	112	124,427
The 2019 appropriation and distribution of earnings:	6 (16)											
Legal earnings reserve		-	-	-	23,425	-	(23,425)	-	-	-	-	-
Cash dividend		-	-	-	-	-	(93,072)	-	-	(93,072)	-	(93,072)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	(126)	(126)
Balance at December 31, 2019		$ 775,600	$ 333,746	$ 577	$ 159,344	$ 183,296	$ 556,306	($ 2,691)	$ 8,722	$ 2,014,900	$ 232	$ 2,015,132

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash flow from operating activities			
Pre-tax profit for the current period		$ 143,743	$ 240,246
Adjustments			
Income, expense, and loss			
Depreciation	6 (21)	127,761	132,971
Amortization	6 (21)	1,881	1,786
Expected gain on credit impairment	12 (2)	-	(84)
Interest expenses	6 (20)	10,617	10,870
Net loss on financial assets and liabilities at fair value through profit and loss	6 (2)(19)	1,818	150
Interest income	6 (18)	(808)	(247)
Dividend income	6 (18)	-	(3,778)
Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	(28,221)	(1,402)
Gain in disposal of property, plant and equipment	6 (6) (19)	(69)	(214,600)
Loss in impairment of non-financial assets	6 (8) (19)	-	9,841
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss- current		-	211
Notes receivable-net		321	1,114
Net accounts receivable		(19,864)	115,247
Accounts receivable-related parties (net)		2,156	(9,918)
Other receivable		(270)	306
Inventory		(49,786)	(26,794)
Prepayments		2,507	278
Net defined benefit assets		(1,063)	(1,527)
Net changes in liabilities relating to operating activities			
Contract liabilities - Current		59,609	13
Payable notes		-	847
Accounts payable		16,631	5,394
Other payable		10,903	4,670
Other current liabilities-others		1,245	(3,721)
Net cash provided by operating activities		279,111	261,873
Interest received		810	235
Dividends received		19,478	3,778
Income tax refund		1,459	-
Interest paid		(11,065)	(10,987)
Income tax paid		(21,665)	(20,235)
Net cash inflow from operating activities		268,128	234,664

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash flow from investing activities			
Acquisition of financial assets at fair value through other comprehensive profit or loss		$ -	($ 200,161)
Disposition of financial assets evaluated at cost	6 (25)	-	21,684
Acquisition of investment under the equity method	6 (5)	(139,048)	(60,764)
Costs of property, plant and equipment acquired	6 (25)	(113,857)	(92,933)
Proceeds from disposal of property, plant and equipment		357	478,180
Acquisition of Intangible assets		(938)	(794)
Lost control in subsidiary effects		(15,193)	-
Decrease (increase) in deposits paid		(591)	1,200
Net cash inflow (outflow) from investing activities		(269,270)	146,412
Cash flow from financing activities			
Decrease in short-term loans	6 (26)	(80,000)	(92,376)
Increase (decrease) in short-term payable notes	6 (26)	139,784	(169,946)
Proceeds from long-term loan	6 (26)	700,000	-
Re-payments of long-term borrowings	6 (26)	(667,440)	(130,000)
Decrease in deposits received		-	(54)
Lease principal repayment		(2,646)	-
Cash dividend distribution	6 (16)	(93,072)	(38,780)
Cash dividends paid by subsidiaries - Changes in non-controlling interests		(126)	(184)
Net cash outflow from financing activities		(3,500)	(431,340)
Effects of exchange rate fluctuation on cash		(505)	636
Decrease in cash and cash equivalents for the current period		(5,147)	(49,628)
Opening balance of cash and cash equivalents		106,367	155,995
Closing balance of cash and cash equivalents		$ 101,220	$ 106,367

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Notes to financial statements
2019 and 2018

Unit: NTD thousand
(Except where otherwise stated)

1. Organization and operations

Chunghwa Chemical Synthesis and Biotech Co., Ltd. (hereinafter referred to as the Company) was established in Taiwan on May 19, 1964. Originally named as China Chemical Synthesis Industry Co., Ltd., the company was renamed to the current name at the shareholder meeting in 2003. The main areas of business of the Company and the subsidiaries (collectively referred to as the Group) include research, development, manufacturing and sales of active pharmaceutical ingredients. The Company was officially listed in the Taiwan Stock Exchange on December 20, 2010.

2. Financial reporting date and procedures

The Board of Directors approved the consolidated financial statements for publication on March 9, 2020.

3. Application of new and revised standards and interpretation

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2019.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 9 "Characteristics of payback ahead of schedule with negative compensation."	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 "Amendment, curtailment or reimbursement of projects."	January 1, 2019
Amendments to IAS 28 "Long-term equity of affiliated enterprises and joint venture enterprises."	January 1, 2019
International Financial Reporting Interpretations Committee (IFRIC) No. 23 “Uncertainty Over Income Tax Treatments”.	January 1, 2019
Improvements to IFRS 2015-2017	January 1, 2019

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

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2020.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
IAS 1 and IAS 8 amendments, Disclosure Initiative - Definition of Material.	January 1, 2020
IFRS 3 amendments, Definition of a business	January 1, 2020
“Interest Rate Benchmark Reform (Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	January 1, 2020

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

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

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

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to IFRS 10 and IAS 28 "The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures"	To be determined by the "International Accounting Standards Board (IASB).
IFRS 17 "Insurance Contracts"	January 1, 2021
Current or non-current classification of liabilities (Amendments to IAS 1)	January 1, 2022

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

4. Summary of significant accounting policies

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

(1) Compliance Statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs).

(2) Basis of preparation

1. Except for the following items, these consolidated statements have been prepared under the historical cost convention:
   (1) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
   (2) The defined benefit obligation are recognized according to the pension fund assets deducting the present value of the defined benefit obligation.
2. The financial statements prepared in accordance with the International Financial Reporting Standards, international accounting standards, interpretation and interpretation notice (referred to as "IFRS" hereinafter) that is recognized and approved by the FSC requires the use of some critical accounting estimates; also, the judgment by the management is required while using the Company's accounting policies. Please refer to Note 5 for the items involving extensive judgment or complexity, or significant assumptions and estimates related to the individual financial statements.

(3) Basis of consolidation

1. The basis of preparation for consolidated financial statements
   (1) The Group incorporates all subsidiaries for the preparation of the consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are incorporated into the consolidated financial statements from the date they are controlled by the Group and cease to be consolidated on the date it is no longer controlled by the Group.
   (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated from the consolidated financial statements. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

(3) The components of profit and loss and other comprehensive income are attributable to the owner of the parent company and non-controlling interests. The total comprehensive income is also attributable to the owner of the parent company and non-controlling interests, even if it results in a loss of non-controlling interests.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(5) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the financial statements:

Investing Company	Subsidiaries		Percentage of shareholdings		
Name	Name	Nature of the operation	December 31, 2019	December 31, 2018	Description
Chunghwa Chemical Synthesis & Biotech Co.,Ltd.	PHARMAPORTS, LLC	Trading of API drugs	98.00%	98.00%	
"	CCSB HOLDING CO., LTD.	Engaged in shareholding and reinvestment	100.00%	100.00%	
CCSB HOLDING CO., LTD.	CCPC Suzhou	Trading of raw chemical materials and agency and consultation patents and technologies	-	100.00%	Note 1

Note: 1. Chunghwa Chemical Synthesis & Biotech Co., Ltd. (Suzhou) obtained Clearance Certificate with the consent of the State Taxation Administration on November 6th, 2019, and clearance procedures are currently underway. Therefore, from that date onwards, incorporation into the consolidated financial report ceased, the assets and liabilities were derecognized, and other accounts receivables transferred totaled NT$15,193.

3. Subsidiary company not included in the consolidated financial statements are as follows: None

4. Adjustments on subsidiary companies with different accounting periods: None.

5. Significant limitations: None

6. Subsidiaries of the Group with significant non-controlling interests: None.

(4) Foreign-currency translations

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

1. Foreign Currency Transactions and Balances

(1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.

(2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.

(3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.

(4) All foreign exchange gains and losses are presented in the statement of comprehensive income within “Other gains and losses”.

2. Translation of the financial statements of foreign operations

(1) The operating results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.

B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

C. All resulting exchange differences are recognized in other comprehensive income.

(2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Group retains partial interest in the former subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interests in the foreign operation.

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

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

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

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

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

(1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Expected to be repaid within 12 months of the balance sheet date

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

1. Refer to the financial assets that are not measured at amortized cost or are measured at fair value through other comprehensive income.
2. A regular way purchase or sale of financial assets is recognized and derecognized using either trade date or settlement date accounting.
3. The Group measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. Once the right to receive dividends is confirmed, the Group recognizes the dividend income in profit or loss if the future economic benefits are expected to flow to the entity and the dividend can be measured reliably.

(8) Accounts receivable and notes

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of Financial Assets

Financial assets measured at amortized cost, the Group, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(10) The de-recognition of financial assets

A financial asset is derecognized when the Group's rights to receive cash flows from the financial assets have expired.

(11) The lessor's lease transaction/business lease

Income from under an operating lease (net of any incentives given to the lessee) are recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The costs of finished and work in process goods include raw materials, direct labor, other direct costs and manufacturing-related expenses, excluding borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

(13) Investments in equity method-associate companies

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
3. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Group will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Group.
5. When the Group disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Group loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property , plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 years ~ 60 years
Machinery equipment	2 years ~ 20 years
Transport equipment	3 years ~ 5 years
Other equipment	2 years ~ 40 years

(15) The lessee's lease transaction-right-of-use assets/lease liabilities.

Applicable in 2019

1. Lease assets are recognized on the day of the available for use by the Group as right-of-use assets and lease liabilities. If the lease contract is a short-term lease or a lease of an underlying asset with low-value, lease payment is recognized using the straight-line method as an expense during the period of lease based.
2. The lease liability on the first day of lease is recognized at the present value after unpaid lease payments are converted into cash according to the Group's incremental borrowing interest rate. Lease payments include fixed payments deducted by any lease incentives received. According to the follow-up interest method and measurements by the amortized cost method, interest incurring during the period of lease is provisioned. In case of changes in the period of lease or lease payments not attributed to contract modifications, the lease liability will be re-evaluated, and the remeasurement will be used to readjust the right-of-use asset.
3. The right-of-use asset is recognized by cost on the starting day of lease. The costs include:

   (1) The original measured amount of lease liability;

   (2) Any original direct costs incurred;

   The cost model is adopted for subsequent measurements. Either the end of the durability of right-of-use assets or the end of the period of lease incurring earlier will be provisioned as depreciation fees. When re-evaluating lease liability, the right-of-use asset will readjust any remeasurements of lease liability.

(16) Operating lease (lessee)

Applicable in 2018

Operating lease payments less any incentives from the lessor amortized over the lease term using the straight-line method are recognized in profit or loss in the current period.

(17) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model.

(18) Intangible assets

Computer software is recognized at cost and is amortized over the estimated useful life of 1 to 3 years according to the straight-line method.

(19) Losses in non-financial asset

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(20) Loans

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) De-recognition of financial liabilities

The Group derecognizes a liability when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Financial assets and liabilities written-off against each other

Recognized financial liabilities and assets are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the discounted amount of the benefits expected to be paid in respect of service rendered by employees and are recognized as expenses in the period when the employees render service.

2. Pension

   (1) Defined contribution plan

   For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized to the extent of a cash refund or a reduction in the future payments.

   (2) Defined benefit plan

   A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

   B. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recoded as retained earnings.

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

3. Termination benefits

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

4. Remunerations for employees and directors

   Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Dividends

Dividends distributed to shareholders of the Company are recognized in the financial statements when the shareholder meeting resolves to distribute dividends, and the cash dividends are recognized as liabilities.

(27) Recognition of revenue

1. Product sales

(1) The Group manufactures and sells API-related products. The sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and the Group has no outstanding performance obligations which may affect customers' acceptance of products. The delivery of products is considered occurs when the products are shipped to the designated locations and the risks of obsolescence and loss have been transferred to customers who accept the products under sales contracts, or when there is objective evidence showing that all acceptance criteria have been met.

(2) Account receivables are recognized when goods are delivered to customers. Since the Group has unconditional rights to the contract price from that point in time, only the passage of time is required before the payment is due.

2. Labor revenue

(1) The Group provides commissioned bio drug testing and other related services. Labor service income is recognized as income during the period of financial reporting on services provided to customers. Revenues from fixed price contracts are recognized based of the proportion of services provided in all services provided as of the balance sheet date. The percentage of service completion is based on the proportion of actual costs incurred in the total costs. The customer shall pay contract prices according to the payment time agreed. When services provided by the company exceed the customer's accounts payable, they are recognized as contract assets; if the customer's accounts payable exceeds the services provided by the company, they are recognized as contract liability.

(2) The Group's estimates of revenues, costs, and degree of work completion are subject to amendments as circumstances change. Any increase or decrease in estimated income or cost due to changes in estimates shall be reflected in profit or loss during the period in which the circumstances leading to the amendments are known to management.

(28) Operating segments

The operating segment information and the internal management reports submitted to the mainly operational decision makers are consistent in the way of reporting. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

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

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventory

The Group measures the normal sales of inventories by the lower of cost and net realizable value. For inventories that have existed longer than a certain period of time and are obsolete and damaged, net realizable value of each inventory is identified to be recognized as a loss. Therefore, the Group must use its best judgments and estimates to determine the net realizable value of inventory at the balance sheet date. Due to the stricter verification of active pharmaceutical ingredients and the lengthening time required to obtain drug licenses, the disposal of inventory is below expectation, resulting in the loss from inventory depreciation or the higher risk of inventory obsolescence. The Group assesses on the balance sheet date the inventory due to normal wear and tear, obsolescence or without market sales value and reduces the inventory cost to net realizable value. The inventory assessment may experience significant changes due to fluctuations in the net realizable value of future products. As of December 31, 2019, the book balance of the Group's inventories is NT$412,184.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 117	$ 339
Checking accounts and demand deposits	71,123	75,313
Time deposits	29,980	30,715
	$ 101,220	$ 106,367

1. The financial institutions that the Group deals with are with good credit quality; also, the Group deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. None of the Group's cash and cash equivalents pledged to others as collateral.

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

Item	December 31, 2019	December 31, 2018
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
China Development Biomedical Venture Capital (limited company)	$ 30,000	$ 30,000
Evaluation adjustment	(1,840)	(22)
	$ 28,160	$ 29,978

1. Financial assets at fair value through profit and loss is detailed as follows:

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	($ 1,818)	($ 361)
Derivatives	-	211
	($ 1,818)	($ 150)

2. The Group's transactions in respect of derivative financial assets not covered by the hedge accounting are as follows:

   In order to avoid the risk of value fluctuations in foreign currency assets and liabilities due to exchange rate fluctuations, the Group undertook forward foreign exchange in 2018, but it was not applicable to hedging accounting. Refer to Attachment 6 (19) for relevant profit and loss.
3. Please see Note 12 (2) for the credit risk information related to financial assets at fair value through profit and loss.

(3) Note receivable and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 345	$ 666
Less: Allowance for losses	-	-
	$ 345	$ 666
Accounts receivable	$ 125,534	$ 105,670
Less: Allowance for losses	(266)	(266)
	$ 125,268	$ 105,404

1. Aging of accounts receivable and notes receivable is as follows:
   (1) Notes receivable

	December 31, 2019	December 31, 2018
Not overdue	$ 345	$ 666

(2) Accounts receivable

	December 31, 2019	December 31, 2018
Not overdue	$ 111,602	$ 77,842
Overdue within 30 days	13,932	27,693
Overdue 31 to 90 days	-	135
	$ 125,534	$ 105,670

The aforementioned aging analysis is based on the overdue days.

2. The accounts receivables and bills receivable balance in 2019 and December 31, 2018 were generated from the client contract. The accounts receivables balance and allowance loss in the client contract as of January 1, 2018 amount to NT$222,743 and NT$0 respectively.
3. While not considering the collaterals or other credit enhancements, the notes and accounts receivable held by the Group had the maximum exposure of credit risk at NT$125,613 and NT$106,070, respectively, as of December 31, 2018 and 2017.
4. The Group does not hold any collaterals.
5. Please see Note 12 (2) for the credit quality of the accounts receivable and notes receivable.

(4) Inventory

	December 31, 2019		
	Cost	Price loss allowance	Book value
Raw materials	$ 103,841	($ 10,615)	$ 93,226
Work in process	91,407	(5,366)	86,041
Finished products	291,921	(59,004)	232,917
	$ 487,169	($ 74,985)	$ 412,184

	December 31, 2018		
	Cost	Price loss allowance	Book value
Raw materials	$ 65,175	($ 18,109)	$ 47,066
Work in process	118,584	(3,905)	114,679
Finished products	261,417	(60,764)	200,653
	$ 445,176	($ 82,778)	$ 362,398

The Group's current inventory cost recognized as expenses:

	2019	2018
Cost of inventory sold	$ 684,570	$ 669,048
Loss on inventory falling price (gain from price recovery)	(7,793)	4,266
Inventory disposition losses	9,737	-
Proceeds from sale of scraps.	(4,669)	(5,372)
	$ 681,845	$ 667,942

The Group has successively cleared or sold inventory provisioned loss on falling price in the previous year, recognized as loss on inventory falling price (gain from price recovery).

(5) Investments accounted for by the equity method

	December 31, 2019	December 31, 2018
Affiliate business:		
China Chemical & Pharmaceutical Co., Ltd.	$ 478,894	$ 325,381

1. Affiliate business

(1) The basic information of the Group's main affiliates is shown as follows:

Company name	Main places of business operations	Ratio of Shareholding December 31, 2019	Ratio of Shareholding December 31, 2018	Type of affiliation	Measurement
China Chemical & Pharmaceutical Co., Ltd.	Taiwan	8.49%	6.00%	Affiliate business	Equity method

(2) The aggregated information of the Group's main affiliates is shown as follows:

Balance Sheet

	China Chemical & Pharmaceutical Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 3,174,209	$ 2,870,206
Non-Current assets	6,698,924	6,415,908
Current liabilities	(1,696,771)	(1,553,152)
Non-current liabilities	(2,269,899)	(2,062,404)
Total net assets	$ 5,906,463	$ 5,670,558
Book value of affiliates	$ 478,894	$ 325,381

Comprehensive income statement

	China Chemical & Pharmaceutical Co., Ltd.	
	2019	2018
Income	$ 3,596,186	$ 3,273,208
Current net profits from continuing operations	$ 384,690	$ 369,870
Other comprehensive income (net after tax)	88,766	(50,802)
Total comprehensive income for the period	$ 473,456	$ 319,068

2. Profit and loss of associates recognized by using equity method:

	2019	2018
China Chemical & Pharmaceutical Co., Ltd.	$ 28,221	$ 1,402

3. Xiang-Da was dissolved by the shareholder meeting on August 9, 2016. The settlement was completed on December 15, 2017 and a letter of settlement completion was obtained from the court on January 23, 2018.

4. The Group's holding of the shares of China Chemical & Pharmaceutical is classified as financial assets at fair value through other comprehensive income, and the dividend income recognized in profit or loss for 2018 was NT$3,778 and a net loss of NT$30,108 was recognized in other comprehensive income.

5. The Group obtained a board seat in the CCSB after it re-elected its board on November 14, 2018. Due to the significant impact on the company, it was transferred to "Investments accounted for using equity method" at an amount of NT$263,828, and the retained earnings was NT$39,758.

6. The Group's investment in China Chemical & Pharmaceutical has a public offer of which the fair value were NT$486,912 and NT$322,996 as of December 31, 2019 and 2018, respectively.

(6) Property , plant, and equipment

	2019						
	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1							
Cost	$ 1,454,384	$ 648,624	$ 1,063,615	$ 7,488	$ 520,744	$ 24,601	$ 3,719,456
Accumulated depreciation and impairment	-	(398,676)	(770,322)	(6,649)	(348,215)	-	(1,523,862)
	$ 1,454,384	$ 249,948	$ 293,293	$ 839	$ 172,529	$ 24,601	$ 2,195,594
2019							
January 1	$ 1,454,384	$ 249,948	$ 293,293	$ 839	$ 172,529	$ 24,601	$ 2,195,594
Additions	-	3,553	4,717	-	16,867	85,028	110,165
Disposition	-	-	-	(288)	-	-	(288)
Reclassification	-	10,687	62,466	-	19,208	(92,361)	-
Depreciation	-	(23,155)	(65,430)	(281)	(36,300)	-	(125,166)
Net exchange differences	-	-	-	5	(2)	-	3
December 31	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,302	$ 17,268	$ 2,180,308
December 31							
Cost	$ 1,454,384	$ 662,864	$ 1,128,088	$ 6,899	$ 553,846	$ 17,268	$ 3,823,349
Accumulated depreciation and impairment	-	(421,831)	(833,042)	(6,624)	(381,544)	-	(1,643,041)
	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,302	$ 17,268	$ 2,180,308

	2018						
	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1							
Cost	$ 1,454,384	$ 643,427	$ 1,035,402	$ 7,482	$ 485,076	$ 7,845	$ 3,633,616
Accumulated depreciation and impairment	-	(374,637)	(693,014)	(6,094)	(316,941)	-	(1,390,686)
	$ 1,454,384	$ 268,790	$ 342,388	$ 1,388	$ 168,135	$ 7,845	$ 2,242,930
2018							
January 1	$ 1,454,384	$ 268,790	$ 342,388	$ 1,388	$ 168,135	$ 7,845	$ 2,242,930
Additions	-	3,562	14,844	-	18,387	58,697	95,490
Disposition	-	-	(27)	-	-	-	(27)
Reclassification	-	1,635	19,677	(119)	20,748	(41,941)	-
Depreciation	-	(24,039)	(73,748)	(443)	(34,741)	-	(132,971)
Impairment loss	-	-	(9,841)	-	-	-	(9,841)
Net exchange differences	-	-	-	13	-	-	13
December 31	$ 1,454,384	$ 249,948	$ 293,293	$ 839	$ 172,529	$ 24,601	$ 2,195,594
December 31							
Cost	$ 1,454,384	$ 648,624	$ 1,063,615	$ 7,488	$ 520,744	$ 24,601	$ 3,719,456
Accumulated depreciation and impairment	-	(398,676)	(770,322)	(6,649)	(348,215)	-	(1,523,862)
	$ 1,454,384	$ 249,948	$ 293,293	$ 839	$ 172,529	$ 24,601	$ 2,195,594

1. The abovementioned real estate, factories, and equipment are assets for self-use.
2. There were impairments in 2018 due to the replacement of old equipment in the production line. The impairment loss for 2018 was valued at NT$9,841, subtracting the disposal cost from the fair value of the equipment. Please refer to Note 6 (8).
3. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.

(7) Investment property

	December 31, 2019	December 31, 2018
Land cost	$ 10,700	$ 10,700

1. Rental income and direct operating expenses of investment properties:

	2019	2018
Rental income of investment properties	$ 881	$ 914
Direct operating expenses incurred in investment properties that have rental income in the current period	$ 48	$ 48

2. The fair value of investment properties held by the Group for the years ended December 31, 2019 and 2018 were NT$50,239, based on the transaction prices of the adjacent lands.

(8) Losses in non-financial asset

1. The Group's impairment loss recognized in 2018 totals NT$9,841, and there is no such circumstance in 2019. The relevant details are as follows:

	2019	2018
	Recognized in profit or loss of the period	Recognized in profit or loss of the period
Impairment loss - Machine and equipment	$ -	$ 9,841

2. The abovementioned impairment losses are all from the departments in Taiwan.

(9) Shot-term borrowings

Loans nature	December 31, 2019	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 70,000	1.10%~1.14%	None
Loans nature	**December 31, 2018**	**Interest rate collars**	**Collateral**
Bank loan			
Credit loan	$ 150,000	1.10%~1.16%	None

(10) Short-term bills payable

	December 31, 2019	December 31, 2018
Face value of commercial paper	$ 220,000	$ 80,000
Less: Discount in short-term bills payable	(260)	(44)
	$ 219,740	$ 79,956
Interest rate collars	1.06%~1.08%	1.04%~1.07%

(11) Other payable

	December 31, 2019	December 31, 2018
Salary and bonus payables	$ 48,783	$ 36,895
Commission payable	7,358	4,616
Remuneration to employees and directors and supervisors payable	22,312	17,256
Equipment payables	5,777	9,469
Repair fees payable	6,445	8,488
Others	34,724	41,912
	$ 125,399	$ 118,636

(12) Long-term borrowings

	December 31, 2019	December 31, 2018
Bank loan		
Secured loans	$ -	$ 567,440
Credit loan	600,000	-
	$ 600,000	$ 567,440
Interest rate collars	1.40%~1.49%	1.28%

1. The one-time repayment of credit loan is due in 2021.
2. Please refer to Note 8 for details of the guarantee.

(13) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the “Labor Standards Act”, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 5% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

(2) The amounts recognized in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	($ 109,160)	($ 117,386)
The fair value of plan assets	131,261	135,882
Net defined benefit assets (Recognized as Other non-current assets)	$ 22,101	$ 18,496

(3) Changes in net defined benefit assets are as follows:

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2019			
Balance at January 1	($ 117,386)	$ 135,882	$ 18,496
Current service cost	(1,521)	-	(1,521)
Interest (expense) income	(1,125)	1,323	198
	(120,032)	137,205	17,173
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,940	4,940
The effect of changes in financial assumptions	(2,688)	-	(2,688)
Experience adjustments	290	-	290
	(2,398)	4,940	2,542
The appropriation of pension fund	-	2,386	2,386
Pension payments	13,270	(13,270)	-
Balance at December 31	($ 109,160)	$ 131,261	$ 22,101

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2018			
Balance at January 1	($ 113,635)	$ 133,098	$ 19,463
Current service cost	(1,644)	-	(1,644)
Interest (expense) income	(1,102)	1,322	220
	(116,381)	134,420	18,039
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,356	4,356
Experience adjustments	(6,850)	-	(6,850)
	(6,850)	4,356	(2,494)
The appropriation of pension fund	-	2,951	2,951
Pension payments	5,845	(5,845)	-
Balance at December 31	($ 117,386)	$ 135,882	$ 18,496

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2019	2018
Discounted rate	0.70%	1.00%
Future salary increases rate	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience in the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2019				
The impact on the present value of the defined benefit obligations	($ 2,247)	$ 2,323	$ 2,287	($ 2,224)
December 31, 2018				
The impact on the present value of the defined benefit obligations	($ 2,554)	$ 2,642	$ 2,610	($ 2,536)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

(6) The expected contributions to the defined benefit pension plans of the Company for the 2020 are NT$2,446.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the "Labor Pension Act" for the employees of Taiwan nationality since July 1, 2005. The Company has established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act" covering all regular employees. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to an employee's individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee's individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) Pharmaports, LLC follows the retirement insurance system in the US and has an internal

policy determining the allocation of pensions. Every month, a certain percentage of the local employees' salary is allocated to the pension fund.

(3) The pension costs under the defined contribution pension plans of the Group for the 2019 and 2018 were NT$8,783 and NT$8,734, respectively.

(14) Share capital

1. As of December 31, 2019, the Company's authorized capital was NT$1,600,000, consisting of 160,000 thousand shares of ordinary stock, and the paid-in capital was NT$775,600 with a par value of NT$10 (in dollars) per share. All issued capital of the Company were paid up.
2. The number of the Company's outstanding ordinary shares was 77,560 thousand as of 2019 and 2018.
3. The affiliation of the Company held 17,331 thousand shares of the Company as of December 31, 2019 and 2018.

(15) Capital reserve

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(16) Retained earnings

1. According to the Company's articles of incorporation, the dividend policy considers the Company's future capital needs and long-term financial planning and meets the shareholders' demand for cash inflows. The current year's earning, if any, shall first be used to offset prior years' operating losses and pay all taxes, and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be allocated. If there is still surplus, it can be put together with the accumulated undistributed surplus of the previous year as the surplus available this year for distribution. Part of it can be retained, depending on the Company's business needs for the year, before being distributed to shareholders. Cash dividends shall not be less than 50% of the shareholder dividend given, but when the cash dividend is calculated to be less than NT$0.1 per share, it can be given in the form of stock dividend.
2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
   (2) When adopting IFRSs for the first time, refer to Jin-Guan-Zheng-Fa-Zi Document #1010012865 on special reserve. The Company will conduct a reversal of the originally allocated special reserve when using, disposing of or reclassifying assets.

4. (1) The appropriations of 2018 and 2017 earnings had been resolved at the shareholders' meeting on May 31, 2019 and May 31, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal earnings reserve	$ 23,425		$ 8,577	
Cash dividend	93,072	$ 1.2	38,780	$ 0.5
	$ 116,497		$ 47,357	

(2) The appropriations of 2019 earnings had been proposed by the Board of Directors on March 9, 2020. Details are summarized below:

	2019	
	Amount	Dividends per share ($)
Legal earnings reserve	$ 11,885	
Cash dividend	62,048	$ 0.8
	$ 73,933	

5. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6 (21).

(17) Operating revenues

	2019	2018
Revenue from Contracts with Customers	$ 1,156,642	$ 1,019,452

1. Segmentation of revenue from contracts with customers

The Group's revenues are generated from goods and labor services gradually transferred with time and transferred at a specific time. Revenues can be subdivided into the following geographic areas:

2019	Taiwan	United States	Total
Revenue from contracts with external customers	$ 625,308	$ 531,334	$ 1,156,642
Time point of sales income recognition			
Revenues recognized at a specific time	$ 613,295	$ 531,334	$ 1,144,629
Revenues gradually recognized with time	12,013	-	12,013
	$ 625,308	$ 531,334	$ 1,156,642

2018	Taiwan	United States	Total
Revenue from contracts with external customers	$ 522,270	$ 497,182	$ 1,019,452
Time point of sales income recognition			
Revenues recognized at a specific time	$ 522,270	$ 497,182	$ 1,019,452

2. Contract assets and contract liabilities

(1) The contract assets and contract liabilities of customer contract revenue recognized by the Group are shown as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets			
-Labor services	$ 452	$ -	$ -
Contract liabilities:			
-Drug sale contracts	$ 59,377	$ 1,579	$ 1,566
-Labor services	2,263	-	-
Total	$ 61,640	$ 1,579	$ 1,566

(2) The initial contract liabilities arising from sales contracts recognized as revenues in 2019 and 2018 total NT$1,579 and NT$1,566 respectively.

(18) Other revenue

	2019	2018
Interest revenue		
Interest from bank deposits	$ 799	$ 235
Other interest incomes	9	12
Rent revenue	1,570	2,901
Dividend income	-	3,778
Other Revenue- other	6,852	7,596
	$ 9,230	$ 14,522

(19) Other profits and losses

	2019	2018
Gain in disposal of property, plant and equipment	$ 69	$ 214,600
Net foreign exchange profit (loss)	(1,687)	2,996
Net loss on financial assets and liabilities at fair value through profit and loss (Note)	(1,818)	(150)
Impairment loss	-	(9,841)
Miscellaneous income	(763)	(3,389)
	($ 4,199)	$ 204,216

Note: In order to avoid the risk of price fluctuation in value of foreign currency assets and liabilities due to exchange rate fluctuations, the Group adopts forward foreign exchange transactions, and no hedge accounting is applied. The net profit recognized in 2019 and 2018 were NT$0 and NT$211, respectively.

The Group signed a land sale agreement with Hung-Da Development in May 2018. The total transaction price was NT$480,000, to be collected in three periods. The payments were received by July 10, 2018. The title transfer of the land was completed in July 2018. With the deduction of the sale-related expenses for NT$1,856, the income from disposal of the land was NT$214,591.

(20) Financial costs

	2019	2018
Interest expenses	$ 10,617	$ 10,870

(21) Employee benefit expense, depreciation and amortization

1. Employee benefit expense, depreciation and amortization:

Functionality Characteristics	2019		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 101,768	$ 148,791	$ 250,559
Labor insurance and national health insurance	9,582	11,741	21,323
Pension expenses	3,547	6,559	10,106
Other employee expenses	7,539	10,348	17,887
Depreciation	94,489	33,272	127,761
Amortization	10	1,871	1,881

Functionality Characteristics	2018		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 101,482	$ 125,444	$ 226,926
Labor insurance and national health insurance	9,434	10,794	20,228
Pension expenses	3,907	6,251	10,158
Other employee expenses	7,665	6,529	14,194
Depreciation	104,522	28,449	132,971
Amortization	25	1,761	1,786

2. Remunerations for employees and directors:

(1) According to the articles of incorporation of the Company, a portion of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% to 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

(2) A. For the 2019, employees' compensation was accrued at NT$18,835 while directors' remuneration was accrued at NT$1,884. The aforementioned amounts were recognized in salary expenses.

B. For the 2018, employees' compensation was accrued at NT$15,488 while directors' remuneration was accrued at NT$1,549. The aforementioned amounts were recognized in salary expenses.

C. The employees' compensation and directors' remuneration were estimated and accrued based on 11.6% and 1.2% of profit of current year distributable for the 2019, respectively.

The employees' compensation and directors' remuneration resolved by the Board of Directors for 2018 were NT$15,488 and NT$1,549, respectively, consistent with the amount recognized in the 2018 financial report.

E. Information about employees' compensation and directors' remuneration of the Company

as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System".

(22) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Current income tax	$ 24,521	$ 16,508
Additional levy on undistributed earnings	492	4,036
Over provision of prior year's income tax	(43)	(2,593)
Total Current income tax	24,970	17,951
Deferred income tax:		
Origin and reversal of temporary differences	1,649	(10,935)
Impact from change in tax rate	-	(1,058)
Income tax expense	$ 26,619	$ 5,958

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

	2019	2018
Defined benefit obligation revaluation amount and volume	$ 508	($ 498)
Impact from change in tax rate	-	250
	$ 508	($ 248)

2. Reconciliation between income tax expense and accounting profit:

	2019	2018
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 30,821	$ 50,546
Tax-free income by Income Tax Law	(5,644)	(43,954)
Impact on income tax from items excluded according to the tax law	374	188
Realizable changes from deferred income tax assets	-	(1,207)
Additional levy on undistributed earnings	492	4,036
Over provision of prior year's income tax	(43)	(2,593)
Impact from change in tax rate	-	(1,058)
Foreign dividend withholding tax rate difference	619	-
Income tax expense	$ 26,619	$ 5,958

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

	2019			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net loss	December 31
Temporary differences				
- Deferred income tax assets:				
Falling price of inventory	$ 16,556	($ 1,560)	$ -	$ 14,996
Unrealized exchange loss	60	204	-	264
Impairment loss of fixed assets	2,339	(681)	-	1,658
Bonus payable for paid leave not taken	1,037	233	-	1,270
Profit and loss recognized by using equity method	293	315	-	608
Others	226	53	-	279
Subtotal	20,511	(1,436)	-	19,075
- Deferred income tax liabilities				
Determined benefit obligation	(3,699)	(213)	(508)	(4,420)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(243,863)	(213)	(508)	(244,584)
Total	($223,352)	($ 1,649)	($ 508)	($225,509)

	2018			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net profit	December 31
Temporary differences				
- Deferred income tax assets:				
Falling price of inventory	$ 13,347	$ 3,209	$ -	$ 16,556
Unrealized exchange loss	299	(239)	-	60
Impairment loss of fixed assets	469	1,870	-	2,339
Bonus payable for paid leave not taken	672	365	-	1,037
Profit and loss recognized by using equity method	-	293	-	293
Others	-	226	-	226
Subtotal	14,787	5,724	-	20,511
- Deferred income tax liabilities				
Profit and loss recognized by using equity method	(6,760)	6,760	-	-
Unrealized exchange gain	(147)	147	-	-
Determined benefit obligation	(3,309)	(638)	248	(3,699)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(250,380)	6,269	248	(243,863)
Total	($235,593)	$ 11,993	$ 248	($223,352)

4. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2017.
5. The amendments to Taiwan Income Tax Act came into effect on February 7, 2018, and the tax rate for the for-profit business income tax has been increased from 17% to 20%. The amendments have been applied since 2018. The Group has assessed the related income tax implications for the tax rate change in 2018.
6. The amendments to the Industry Innovation Regulations promulgated by the President took effect on July 24, 2019. The investment amount meeting the review conditions of the taxation agency and used to compute the undistributed surplus for the current year in accordance with Article 66-9 of the Income Tax Act may be listed as a deductible item, which shall be applicable upon the declaration of undistributed surplus for levying business income tax in 2018. The Group has re-evaluated the undistributed surplus amount.

(23) Earnings per share

	2019		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share (NT$)
Base earnings per share			
Net income attributable to the parent company	$ 117,003	77,560	$ 1.51
Diluted earnings per share			
Net income attributable to the parent company	$ 117,003	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	644	
Net income attributable to the parent company			
Potential effect on ordinary shares	$ 117,003	78,204	$ 1.50

	2018		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share (NT$)
Base earnings per share			
Net income attributable to the parent company	$ 234,251	77,560	$ 3.02
Diluted earnings per share			
Net income attributable to the parent company	$ 234,251	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	769	
Net income attributable to the parent company			
Potential effect on ordinary shares	$ 234,251	78,329	$ 2.99

(24) Operating lease

Applicable in 2018

The Group leases assets such as automobiles and offices by adopting operating leases which last 1 to 6 years. Lease fees of NT$3,444 were recognized in 2018. The future aggregate minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018
Less than 1 year	$ 2,725
Over 1 year but less than 5 years	5,198
	$ 7,923

(25) Supplemental cash flow information

1. Investment activities with partial cash payments:

	2019	2018
Purchase of property, plant, and equipment	$ 110,165	$ 95,490
Add: Opening balance of payable on equipment	9,469	6,912
Less: Ending balance of payable on equipment	(5,777)	(9,469)
Cash Paid for the Period	$ 113,857	$ 92,933

2. Investment activities with partial cash collection:

	2018
Disposition of financial assets evaluated at cost	$ -
Add: Opening balance of receivables	21,684
Less: Ending balance of receivables	-
Cash received during the year	$ 21,684

(26) Changes in liabilities arising from financing activities

	2019				
	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$150,000	$ 79,956	$ 567,440	$ 7,570	$ 804,966
Loan	590,000	230,059	700,000	-	1,520,059
Repayment	(670,000)	(90,275)	(667,440)	(2,646)	(1,430,361)
Other non-cash changes	-	-	-	442	442
December 31	$ 70,000	$ 219,740	$ 600,000	$ 5,366	$ 895,106

	2018			
	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Total liabilities arising from financing activities
January 1	$ 242,376	$ 249,902	$ 697,440	$ 1,189,718
Loan	200,000	79,956	-	279,956
Repayment	(292,376)	(249,902)	(130,000)	(672,278)
December 31	$ 150,000	$ 79,956	$ 567,440	$ 797,396

7. Related party transactions

(1) Name and relationship of related parties

Name	Relationship with the Group
China Chemical & Pharmaceutical Co., Ltd. (CCPC)	The Group's main affiliates
Chunghwa Yuming Healthcare Co., Ltd. (CYH)	The Group's main affiliates
Tairung Development Co., Ltd.	The Group's main affiliates

(2) Major transactions with related parties

1. Operating revenue

	2019	2018
Product sales:		
Affiliate business	$ 50,893	$ 60,060

(1) The transaction price of the Group's sales to related parties is based on the price agreed by both parties.

(2) The Group's payment period is 30–120 days (monthly) for non-stakeholders and 120 days (monthly) for stakeholders after shipment.

(3) The Group signed a raw material production and sales contract with China Chemical & Pharmaceutical Co., Ltd. in 2016 and renewed the contract in 2019. The Group sold raw materials to the said party at the net cost +30% profit for processing into goods; the Group is entitled to a differential profit ratio of 50% profit from actual sales (China Chemical & Pharmaceutical Co., Ltd. gross profit and the Group's sales gross profit).

2. Receivable from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
CCPC	$ 24,339	$ 26,495
Less: Allowance for losses	(46)	(46)
	$ 24,293	$ 26,449

3. The Group's business supplies purchased in 2019 total NT$2,219 and are listed as miscellaneous fees.

(3) Remuneration to key management

	2019	2018
Salaries and other short-term employee benefits	$ 27,829	$ 29,584
Retirement benefits	705	755
Termination benefits	1,246	2,194
	$ 29,780	$ 32,533

8. Pledged assets

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

	Book Value		
Asset Item	December 31, 2019	December 31, 2018	Purpose of guarantee
Property , plant, and equipment	$ 712,984	$ 712,984	Long-term borrowings

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingencies

None.

(2) Commitments

1. Capital expenditures that have been signed but not yet incurred

	December 31, 2019	December 31, 2018
property , plant, and equipment	$ 24,027	$ 10,898

2. Operating lease agreement

Please refer to Note 6 (24) for details.

10. Significant disaster loss

None.

11. Major post-balance sheet events

Please refer to Note 6 (16) 4 for a description on distribution of surplus for 2019.

12. Others

(1) Capital management

The Group's capital risk management objectives are to ensure that the Group is capable of continuing operations, to maintain the most appropriate capital structure in order to reduce cost of capital and to maximize returns for shareholders. The Group may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Group's capital structure. The Group uses the debt-to-equity ratio to monitor its capital. The ratio is calculated by dividing net debts by total capital. Net debts are calculated as total debts (including "current and non-current borrowings" presented in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" presented in the consolidated balance sheet plus net debts.

The Group maintained the same strategy in 2019 as in 2018. It is committed to keeping the

debt-to-capital ratio between 20% and 45%.

(2) Financial instruments

1. Types of financial instrument

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 28,160	$ 29,978
Financial assets based on cost after amortization		
Cash and cash equivalents	101,220	106,367
Notes receivable	345	666
Accounts receivable (including related parties)	149,561	131,853
Other receivable	20,908	5,447
Deposits paid (Recognized as Other non-current assets)	5,360	6,572
	$ 305,554	$ 280,883

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 70,000	$ 150,000
Short-term bills payable	219,740	79,956
Payable notes	1,192	1,192
Accounts payable	77,226	60,595
Other payable	125,399	118,636
Long-term borrowings	600,000	567,440
Deposits received (Recognized as other non-current liabilities-others and deposits received)	522	522
	$ 1,094,079	$ 978,341
Lease liabilities (including current and non-current)	$ 5,366	$ -

2. Risk management policies

(1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial market, and the Group seeks to mitigate potential adverse effect on the financial position and performance.

(2) The Group's Finance Department identifies and assesses financial risks in close collaboration with the Group's other operating units.

3. The nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

A. The Group is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in US dollars. The related exchange risk from future operating activities have been recognized in assets and liabilities.

B. The Finance Department of the Group conducts hedging for the overall exchange rate risk. Exchange rate risk is measured by highly probable transactions in US dollars. Forward foreign exchange contracts are adopted to reduce the impact of exchange rate fluctuations on expected transactions.

C. The Group circumvents exchange rate risk by using forward exchange rate transactions but does not conduct hedge accounting. Please refer to Note 6 (2) for details on financial assets at fair value through profit and loss.

D. The Group's operations involve certain non-functional currencies (the Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is the USD), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2019		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 5,355	29.980	$ 160,543
Financial liabilities			
Monetary items			
USD: NTD	$ 1,154	29.980	$ 34,597

	December 31, 2018		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 4,089	30.72	$ 125,594
Financial liabilities			
Monetary items			
USD: NTD	$ 242	30.72	$ 7,433

E. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to a loss of (NT$1,687) and a gain of NT$2,996 for the 2019 and 2018, respectively.

F. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

	2019		
		Sensitivity analysis	
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 1,605	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 346)	$ -

	2018		
		Sensitivity analysis	
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 1,256	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 74)	$ -

Price risk

A. The Group is exposed to the price risk of financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income. To manage the price risk of equity instruments, the Group diversifies its investment portfolio in a manner that is based on the limits set by the Group.

B. The Group invests primarily in equity instruments issued by domestic companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. In case the price of the said equity instrument rises or drops by 10% while the other factors remain unchanged, the after-tax net profit for 2019 and 2018 due to the profit or loss of the equity instrument measured from fair value through profit and loss will increase or decrease by NT$2,816 and NT$2,998 respectively.

Cash flow and fair value interest rate risk

A. The Group's interest rate risk mainly comes from short-term borrowings issued at floating rates, short-term bills payable and long-term borrowing, which exposes the Group to cash flow interest rate risk. The Group's policy is to maintain at least 40% of the borrowings at fixed interest rates, which can be achieved through interest rate swap when necessary. For 2019 and 2018, the Group's borrowings issued at floating rates were mainly denominated in New Taiwan dollars.

B. If the interest rates of borrowing NTD and USD increases or decreases by 1%, while all other factors remain constant, the net profit after tax for 2019 and 2018 is an increase of NT$4,800 and NT$6,379, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

A. Credit risk refers to the risk of financial loss of the Group arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable.

B. The management of credit risk is established with a Group perspective. According to the Company's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored.

C. The Group uses IFRS 9 to provide an assumption that if a contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is considered a breach of contract.

D. The Group uses IFRS 9 to provide the following assumption as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:

If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.

E. The Group categorizes the accounts receivable from customers based on their nature. The provision matrix and the loss ratio method are adopted as the basis for estimating the expected credit loss.

F. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Group will still continue the recourse to protect the rights of the claims. For the year ended December 31, 2019 and 2018, the Company has no creditor's rights that have been written off but are involved in recourse.

G. The Group has included the global economic indicators and signals and estimated the loss allowance for notes receivable and accounts (including the interested parties) based on the loss rates built according to historic and current data. The provision matrix and loss rate as of December 31, 2019 and 2018 are show as follows:

December 31, 2019	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.02%~0.24%	$ 73,047	$ 285
Overdue within 30 days	0.30%~2.95%	1,525	9
Overdue 31 to 60 days	0.30%~3.01%	-	-
Overdue 61 to 90 days	0.63%~6.34%	-	-
Overdue 91	10%~100%	-	-
		$ 74,572	$ 294

December 31, 2018	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.03%~0.30%	$ 56,561	$ 128
Overdue within 30 days	0.37%~3.69%	6,203	158
Overdue 31 to 60 days	0.38%~3.76%	135	8
Overdue 61 to 90 days	0.79%~7.92%	-	-
Overdue 91	10%~100%	-	-
		$ 62,899	$ 294

The Group's subsidiary PHARMAPORTS, LLTC has excellent credit. The expected loss rate is 0.2%, the total accounts receivables and allowance losses as of December 31, 2018 and 2019 are NT$75,646 and NT$18 and NT$69,932 and NT$18 respectively.

H. The Group adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	2019 Notes receivable and accounts (including interested parties)
January 1	$ 294
Impairment loss is recognized	-
December 31	$ 294

	2018 Notes receivable and accounts (including interested parties)
January 1_IAS 39	$ -
Applicable new criteria	378
January 1_IFRS 9	378
Impairment loss reversal	(84)
December 31	$ 294

The amount recognized above is based on other credit enhancements held, so the unrecognized loss allowance as of December 31, 2019 and 2018 are NT$199 and NT$302. Among the reversed loss in 2019 and 2018, NT$0 and NT$84 is the impairment loss reversed by payables derived from customer contracts.

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs and maintain sufficient unencumbered loan commitments at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

B. The Group's unutilized borrowings are shown as follows:

	December 31, 2019	December 31, 2018
Maturing in one year or less	$ 870,000	$ 1,010,000
Mature beyond one year	320,000	320,000
	$ 1,190,000	$ 1,330,000

C. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities: December 31, 2019	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 70,000	$ -	$ -
Short-term bills payable	220,000	-	-
Payable notes	1,192	-	-
Accounts payable	77,226	-	-
Other payable	125,399	-	-
Lease liabilities	2,805	2,220	509
Long-term borrowings	8,850	608,729	-
Deposits received (Recognized as other non-current liabilities-others)	522	-	-

Non-derivative financial liabilities: December 31, 2018	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 150,000	$ -	$ -
Short-term bills payable	79,956	-	-
Payable notes	1,193	-	-
Accounts payable	60,595	-	-
Other payable	118,635	-	-
Long-term borrowings	7,263	573,007	-
Deposits received	522	-	-

(3) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in publicly traded or OTC stocks is included.

Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

Level 3: The unobservable inputs of assets or liabilities.

2. Please refer to Note 6 (8) for the fair value of investment property carried at cost.
3. Financial instrument not measured at fair value:

   Include the book value of cash and cash equivalents, notes receivable, accounts receivable (including the interested parties), other receivable, short-term borrowings, short-term notes payable, notes payable, accounts payable, other accounts payable and lease liabilities as reasonable approximation of fair value.

4. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

   (1) The Group classifies them based on the nature of assets and liabilities, and the information is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 28,160	$ 28,160

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 29,978	$ 29,978

   (2) The methods and assumptions adopted by the Group to measure fair value are as follows:

      A. The fair value of other financial instruments is obtained by valuation or reference to quotation from counterparties.

      B. When assessing non-standardized and less complex financial instruments, the Group adopts valuation techniques widely used by other market participants. The parameters used in the valuation models for this type of financial instruments are usually observable market information.

      C. The valuation of financial derivatives is based on the valuation models widely accepted by market participants, such as the discounting method. Forward exchange contracts are usually evaluated based on the current forward exchange rate.

      D. The output of valuation models are estimates, and the valuation techniques may not reflect all factors affecting the financial instruments and non-financial instruments held by the Group. Therefore, the estimates of valuation models will be adjusted according to additional parameters, such as model risk or liquidity risk. Based on the management policies of the Group's valuation model at fair value and the related control procedures, the management believes that to fairly present the fair value of financial and non-financial instruments in the consolidated balance sheet, adjusting valuation may be appropriate and necessary. Price information and parameters used in valuation are carefully assessed and they are appropriately adjusted according to the current market conditions.

5. There were no transfers between Level 1 and 2 in 2019 and 2018.
6. The following table shows the changes in Level 3 in 2019 and 2018:

	2019	2018
	Equity instruments	Equity instruments
January 1	$ 29,978	$ 30,000
Income recognized in profit or loss (Note)	(1,818)	(22)
December 31	$ 28,160	$ 29,978

Note: Other gains and losses listed.

7. There were no transfers in and/or out of Level 3 in 2019 and 2018.
8. With respect to the valuation of fair value classified as Level 3, the Finance Department is responsible for the independent verification of fair value of financial instruments. Based on independent information, the valuation results can be closer to the market conditions. The independence and reliability of information and the consistency with other sources, as well as other necessary adjustments to the fair value, can ensure that the results are reasonable.
   In addition, the Finance Department develops valuation policies and procedures for fair value of financial instruments and ensure that they comply with the requirements of the International Financial Reporting Standards.
9. The quantitative and sensitivity analysis of significant and unobservable input of valuation models used for measuring Level 3 fair value is shown as follows:

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 28,160	Net asset value method	Not applicable	Not applicable

	Fair value as of December 31, 2018	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 29,978	Net asset value method	Not applicable	Not applicable

10. The Group conducts careful assessment before determining the valuation model and parameters to be used, and the use of different valuation models or parameters may lead to different valuation results.

13. Notes of disclosure

(1) Significant transactions information

In accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. the major transactions related to the Group in 2019 are as follows:

1. Loans to others: None
2. Provision of endorsements and guarantees to others: None

3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: Not applicable.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposition of real estate properties amounting to more than NT$300 million or 20% of paid up capital: Not applicable.
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Attached table 2.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.
9. Engaged in derivatives trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Attached table 3.

(II) Information regarding investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Attached table 4.

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

1. Basic information: Please see Attached table 5.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

14. Segment information

(1) General information

Management has determined the reportable operating segments based on reports reviewed by the general manager and used to make strategic decisions. The general manager operates the business from a geographical perspective, with the production and sales of active pharmaceutical ingredients being the main sources of income. Taiwan is mainly responsible for sales and research and development, and the US mainly is involved in sales. The Group provides the operating results of entities in the consolidated statements to the chief operating decision-maker for review and uses the information to evaluate performance of the departments.

(2) Evaluation of department information

The Group presents the chief operating decision-maker with the pre-tax net profit or loss of each region which uses consistent measurement for revenue and expense in the income statements, and the performance of each operating department is evaluated based on the pre-tax net profit or loss.

The Group did not provide the chief operating decision-maker with total assets and liabilities for operational decisions.

(3) Segment profit/loss

Information on the reporting segments provided to the chief operating decision maker is shown as follows:

2019	Taiwan	United States	Adjustment and write-off	Total
Revenue from external clients	$ 625,308	$ 531,334	$ -	$ 1,156,642
Revenue from internal transactions	509,899	-	(509,899)	-
Department income	$ 1,135,207	$ 531,334	($ 509,899)	$ 1,156,642
Segment profit/loss	$ 135,090	$ 8,653	$ -	$ 143,743
Segment profit and loss include:				
Depreciation and amortization	$ 128,547	$ 1,095	$ -	$ 129,642

2018	Taiwan	United States	Adjustment and write-off	Total
Revenue from external clients	$ 522,270	$ 497,182	$ -	$ 1,019,452
Revenue from internal transactions	472,362	-	(472,362)	-
Department income	$ 994,632	$ 497,182	($ 472,362)	$ 1,019,452
Segment profit/loss	$ 237,646	$ 2,600	$ -	$ 240,246
Segment profit and loss include:				
Depreciation and amortization	$ 134,620	$ 137	$ -	$ 134,757

(4) Reconciliation of segment profit and loss

The reports provided to the chief operating decision-maker for the segments' operating decision are not different from the segments' profit and loss statement, so no adjustment is required.

(5) Information on types of product and labor service

The income from external customers is mainly in the forms of manufacturing and sales of APIs, and the breakdown of income balance is shown as follows:

	2019	2018
Sales revenue of biotechnology products	$ 908,904	$ 832,275
Sales revenue of non-biotech products	235,725	187,177
Labor revenue	12,013	-
	$ 1,156,642	$ 1,019,452

(6) Information by areas

Information by region for the Group in 2019 and 2018:

	2019		2018	
	Income	Non-Current assets	Income	Non-Current assets
Taiwan	$ 114,904	$ 2,194,913	$ 135,414	$ 2,208,100
U.S.	517,489	2,764	482,919	387
Japan	176,021	-	132,113	
Croatia	67,858	-	-	-
India	34,035	-	16,025	-
Israel	-	-	31,180	-
Others	246,335	-	221,801	-
Total	$ 1,156,642	$ 2,197,677	$ 1,019,452	$ 2,208,487

(7) Information about important customers

Major clients who accounted for more than 10% of the sales in 2019 and 2018:

	2019		2018	
	Income	Department	Income	Department
Client A	$ -	-	$ 317,386	United States
Client B	294,300	United States	136,806	United States
Customer C	117,903	Japan	90,001	Japan

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

January 1 to December 31, 2019

Attached table 1

Unit: NTD thousand

(Except where otherwise stated)

Holding company	Type and name of marketable securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending					
				Quantity	Book value (Note 2)	Shareholding percentage	Fair value	Note	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Ordinary shares China Development Biomedical Venture Capital (limited company)	None	Financial assets at fair value through fit and loss	3,000,000	$ 28,160	1.71%	$ 28,160	None	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 9, “Financial Instruments”.
Note 2: Book value is determined based on fair value less accumulated impairment for marketable securities measured at fair value. For those not measured at fair value, the book value is determined based on the acquisition cost or amortized cost less accumulated impairment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Purchase from or sale to related parties for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2019

Attached table 2

Unit: NTD thousand

(Except where otherwise stated)

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes/accounts receivable (payable)	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	Sale	$ 509,899	45%	Collection period is 60 to 90 days after delivery.	The agreed amount of the two parties	-	$ 73,369	50%	None

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Significant inter-company transactions during the reporting periods

January 1 to December 31, 2019

Attached table 3

Unit: NTD thousand

(Except where otherwise stated)

No. (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Transactions				Percentage of consolidated total operating revenues or total assets (Note 3)
				Item		Amount	Terms and conditions	
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Sales revenue	$	509,899	Note 4	44%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Accounts receivable		73,369	Note 4	2%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

(1) Fill in "0" for parent company.

(2) Subsidiaries are numbered from number 1.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).

(1) Parent company vs. subsidiaries.

(2) Subsidiaries vs. parent company.

(3) Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: The payment period for sales to related parties is 60 to 90 days after shipment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Names, locations and other information of investee companies (not including investees in China)

January 1 to December 31, 2019

Attached table 4

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit / loss of the investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Ratio	Book value			
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	PHARMAPORTS, LLC	U.S.	Trading of API drugs	$ 4,925	$ 4,925	-	98.00%	$ 11,345	$ 6,033	$ 5,913	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	CCSB HOLDING CO., LTD.	Cayman Islands	Engaged in shareholding and reinvestment	17,940	17,940	600,000	100.00%	16,700	(1,290)	(1,290)	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	China Chemical & Pharmaceutical Co., Ltd.	Taiwan	Manufacturing and sales of pharmaceuticals and health care products and import of the related medical equipment.	463,641	324,593	25,294,137	8.49%	478,894	473,456	28,221	Affiliate business

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Information on investments in China - Basic information

January 1 to December 31, 2019

Attached table 5

Unit: NTD thousand

Names of investees in China	Principal business	Paid-up Capital	Investment method (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Current period profit / loss of the investee	The Company's directly or indirectly invested shareholding	Investment income (loss) recognized for the year (Note 2 (2) B)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
					Outward remittance	Recover							
CCSB Suzhou	Trading of raw chemical materials and agency and consultation patents and technologies	$ 14,827	(2)	$ 14,827	$ -	$ -	$ 14,827	($ 1,023)	100.00%	($ 1,023)	$ -	$ 23,069	Note 4

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEAIC
CCSB Suzhou	$ 14,827	$ 14,827	$ 1,209,079

Note 1: There are three types of investments labeled by the respective number:

(2) Investment in China through an existing company established in a third region (please specify the company): Investment in China through CCSB Holding Co., Ltd.

(3) Other ways.

Note 2: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out.

A. Financial statements audited by an international accounting firm which cooperates with China Accounting Firm.

B. Financial statements audited by the CPAs who audit the parent company in Taiwan.

C. Others: The investment gain or loss recognized in the financial report of the same period that have not been verified by the certified accountant.

Note 3: All amounts are expressed in New Taiwan dollars.

Note 4: Chunghwa Chemical Synthesis & Biotech Co., Ltd. (Suzhou) obtained Clearance Certificate with the consent of the State Taxation Administration on November 6th, 2019, and clearance procedures are currently underway.

V. Most recent year individual financial report inspected and certified by a CPA.

Auditor's Report

(2020) Cai-Shen-Bao-Zi No. 19002891

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.,

Audit opinion

We have audited the accompanying proprietary individual balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2019 and 2018 and the related individual statements of income, of changes in shareholders' equity and of cash flows and Notes to individual financial statement (including significant accounting policies) for the years then ended.

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis of an audit opinion

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Chemical Synthesis & Biotech Co., Ltd. in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2019 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The key audit matters have been responded to in the process of auditing the individual financial statements as a whole with an audit opinion formed; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items of the 2019 individual financial report of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are presented below:

Accounting assessment of inventory valuation

Description of the matter

See Note 4 (11) in the individual financial report for details about the accounting policy on inventory valuation, Note 5 (2) for accounting assessment of inventory valuation and hypothetic uncertainty, and Note 6 (4) for an inventory account description.

Chunghwa Chemical Synthesis & Biotech Ltd. is engaged mainly in the production and sales of active pharmaceutical ingredients. As drug tests grow stricter and drug certificates take longer time to obtain, the risk of inventory loss or obsolescence is higher. Since the inventories involve large amounts of money and large numbers of items that require laborious work by human beings to identify expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. Assess the policy for allowing the Company to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the industry.
2. Conduct sampling tests to see if the basis for market prices of net realized value is consistent with the Company's policy. Randomly check the correctness of the selling prices of individual inventory parts and the way net realized value is calculated.
3. Obtain out-of-date inventory details that are identified by the management, check the related information and verify the account records.

Checking whether the time point of sales income recognition is appropriate

Description of the matter

See Note 4 (26) in the individual financial report for details of the accounting policy on income recognition. As stated in the accounting policies, the sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and Chunghwa Chemical Synthesis and Biotech has no outstanding performance obligations which may affect customers’ acceptance of products. As exports are the main source of income for Chunghwa Chemical Synthesis & Biotech Co., Ltd., the terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. The Company's internal control on income recognition time points were examined and assessed, while the Company's internal control on sales deadlines was tested to verify the correctness of the income recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

The responsibility of the management and management units to the individual financial statements

The management team is responsible for preparing individual financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" to present the Company's financial status in an objective way and for necessary internal controls, ensuring that the statements do not contain any false content due to fraudulence or mistakes.

While preparing the individual financial statements, the management’s responsibility also includes assessing the continuing operation of Chunghwa Chemical Synthesis & Biotech Co., Ltd., the disclosure of the relevant matters, and the adoption of the accounting base for continuing operations, unless the management intends to liquidate Chunghwa Chemical Synthesis & Biotech Co., Ltd. or cease business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are responsible for supervising the financial reporting process.

The responsibilities of the independent auditor to the individual financial statements

The purpose of the independent auditor’s auditing of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.

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

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the individual financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Chemical Synthesis & Biotech Co., Ltd..
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are with significant uncertainties. If the independent auditor believes that such events or circumstances have significant uncertainties, it is necessary to remind the users of the individual financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. to continue operating.
5. Assess the overall expression, structure, and content of the individual financial statements (including the relevant notes) and whether or not the relevant transactions and events in the individual financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the business entity; also, it is responsible for forming an opinion on the audit of the individual financial statements.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

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

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2019 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PricewaterhouseCoopers, Taiwan

March 26, 2020

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the ROC.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2019 and 2018

Unit: NTD thousand

	Assets	Additional notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 81,342	2	$ 65,472	2
1140	Contract assets - Current	6 (17)	452	-	-	-
1150	Notes receivable-net	6(3)	345	-	666	-
1170	Net accounts receivable	6(3)	49,640	2	35,490	1
1180	Account receivables-Related Parties-net	7	97,662	3	94,186	3
1200	Other receivable	7	6,335	-	9,397	1
1220	Current income tax assets		-	-	1,697	-
130X	Inventory	6 (4)	401,100	12	362,398	11
1410	Prepayments		1,557	-	3,913	-
1481	Right to goods return-Current		11,084	-	-	-
11XX	**Total of Current Assets**		649,517	19	573,219	18
	Non-Current assets					
1510	Financial assets that are measured at fair value through profit or loss-non-current	6 (2)	28,160	1	29,978	1
1550	Investments accounted for by the equity method	6 (5)	506,939	15	355,439	11
1600	Property , plant, and equipment	6 (6) (8) and 8	2,180,291	64	2,195,207	68
1755	Right-of-use assets		2,672	-	-	-
1760	Real property for investment- net	6 (7)	10,700	-	10,700	-
1780	Intangible assets		1,250	-	2,193	-
1840	Deferred income tax assets	6 (22)	18,796	-	20,285	1
1900	Other current non-assets	6 (13)	27,370	1	23,174	1
15XX	**Total of Non-Current Assets**		2,776,178	81	2,636,976	82
1XXX	**Total assets**		$ 3,425,695	100	$ 3,210,195	100

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2019 and 2018

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (9)	$ 70,000	2	$ 150,000	5
2110	Short-term bills payable	6 (10)	219,740	6	79,956	3
2130	Contract liabilities - Current	6 (17)	56,783	2	-	-
2150	Payable notes		1,192	-	1,192	-
2170	Accounts payable		77,226	2	60,595	2
2200	Other payable	6 (11)	124,062	4	109,299	3
2230	Current Income Tax Liability		11,912	-	12,878	-
2280	Lease liabilities – Current		1,591	-	-	-
2399	Other current liabilities- other		2,608	-	793	-
21XX	**Total of current liabilities**		565,114	16	414,713	13
	Non-current liabilities					
2540	Long-term borrowings	6 (12) and 8	600,000	18	567,440	18
2570	Deferred income tax liabilities	6 (22)	244,584	7	243,863	7
2580	Lease liabilities – Non-current		1,097	-	-	-
2645	Deposits received		-	-	522	-
25XX	**Total of non-current liabilities**		845,681	25	811,825	25
2XXX	**Total liabilities**		1,410,795	41	1,226,538	38
	Equity					
	Share capital	6 (14)				
3110	Ordinary shares capital		775,600	23	775,600	24
	Capital reserve	6 (15)				
3200	Capital reserve		334,323	10	334,323	11
	Retained earnings	6 (16)				
3310	Legal earnings reserve		159,344	5	135,919	4
3320	Special earnings reserve		183,296	5	183,296	6
3350	Undistributed earnings		556,306	16	553,954	17
	Other equity					
3400	Other equity		6,031	-	565	-
3XXX	**Total equity**		2,014,900	59	1,983,657	62
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Major post-balance sheet events	6 (16) and 11				
3X2X	**Total liabilities and equity**		$ 3,425,695	100	$ 3,210,195	100

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual comprehensive income statements
January 1 to December 31, 2019 and 2018

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating revenues**	6(17) and 7	$ 1,135,207	100	$ 994,632	100
5000	**Operating cost**	6(4)(21)	(686,650)	(61)	(658,526)	(66)
5900	**Operating gross profit**		448,557	39	336,106	34
5920	Realized loss (gain) from sales		-	-	(864)	-
5950	**Operating gross profit**		448,557	39	335,242	34
	Operating expenses	6 (21)				
6100	Marketing expenses		(63,205)	(5)	(65,019)	(7)
6200	Administrative expenses		(76,030)	(7)	(79,799)	(8)
6300	Research and development expenses		(195,461)	(17)	(161,537)	(16)
6450	Expected gain on credit impairment	12 (2)	-	-	84	-
6000	**Total operating expenses**		(334,696)	(29)	(306,271)	(31)
6900	**Operating profit**		113,861	10	28,971	3
	Non-operating revenues and expenses					
7010	Other revenue	6 (5) (7) (18)	7,751	-	13,896	1
7020	Other profits and losses	6 (2) (8) (19)	(2,879)	-	204,301	21
7050	Financial costs	6 (20)	(10,574)	(1)	(10,870)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6 (5)	32,844	3	781	-
7000	**Total non-operating revenues and expenses**		27,142	2	208,108	21
7900	**Earnings before tax**		141,003	12	237,079	24
7950	Income tax expense	6 (22)	(24,000)	(2)	(2,828)	(1)
8200	**Current period net profit**		$ 117,003	10	$ 234,251	23
	Other comprehensive income (net)					
	Items not re-classified under profit or loss					
8311	Defined benefit plan revaluation amount and volume	6 (13)	$ 2,542	-	($ 2,494)	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6 (5)	-	-	(30,108)	(3)
8330	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	6 (5)	8,193	1	(828)	-
8349	Income tax related to accounts not being reclassified	6 (22)	(508)	-	248	-
8310	**Total amount of items not reclassified to profit or income**		10,227	1	(33,182)	(3)
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences arising from translating the financial statements of foreign operations		(442)	-	383	-
8380	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss		(2,473)	-	214	-
8360	**Total amount of items probably reclassified to profit or loss subsequently**		(2,915)	-	597	-
8300	**Other comprehensive income (net)**		$ 7,312	1	($ 32,585)	(3)
8500	**Total comprehensive income for the period**		$ 124,315	11	$ 201,666	20
	Earnings per share	6 (23)				
9750	**Base earnings per share**		$	1.51	$	3.02
9850	**Diluted earnings per share**		$	1.50	$	2.99

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual statement of changes in equity
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

	Additional notes	Ordinary shares capital	Capital reserve		Retained earnings			Other equity			Total equity
			Issuance premium	Others	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Unrealized gain or loss on available-for-sale financial assets	
2018											
Balance as of January 1, 2018		$ 775,600	$ 333,746	$ 577	$ 127,342	$ 183,296	$ 410,290	($ 373)	$ -	($ 9,650)	$ 1,820,828
Effects applying the modified retrospective approach		-	-	-	-	-	(57)	-	(9,650)	9,650	(57)
Balance on January, 1 2018 after adjustment		775,600	333,746	577	127,342	183,296	410,233	(373)	(9,650)	-	1,820,771
Current period net profit		-	-	-	-	-	234,251	-	-	-	234,251
Current other comprehensive income		-	-	-	-	-	(3,415)	597	(29,767)	-	(32,585)
Total comprehensive income for the period		-	-	-	-	-	230,836	597	(29,767)	-	201,666
The 2017 appropriation and distribution of earnings:	6 (16)										
Legal earnings reserve		-	-	-	8,577	-	(8,577)	-	-	-	-
Cash dividend		-	-	-	-	-	(38,780)	-	-	-	(38,780)
Equity instrument at fair value through other comprehensive income statement		-	-	-	-	-	(39,758)	-	39,758	-	-
Balance at December 31, 2018		$ 775,600	$ 333,746	$ 577	$ 135,919	$ 183,296	$ 553,954	$ 224	$ 341	$ -	$ 1,983,657
2019											
Balance as of January 1, 2019		$ 775,600	$ 333,746	$ 577	$ 135,919	$ 183,296	$ 553,954	$ 224	$ 341	$ -	$ 1,983,657
Current period net profit		-	-	-	-	-	117,003	-	-	-	117,003
Current other comprehensive income		-	-	-	-	-	1,846	(2,915)	8,381	-	7,312
Total comprehensive income for the period		-	-	-	-	-	118,849	(2,915)	8,381	-	124,315
The 2019 appropriation and distribution of earnings:	6 (16)										
Legal earnings reserve		-	-	-	23,425	-	(23,425)	-	-	-	-
Cash dividend		-	-	-	-	-	(93,072)	-	-	-	(93,072)
Balance at December 31, 2019		$ 775,600	$ 333,746	$ 577	$ 159,344	$ 183,296	$ 556,306	($ 2,691)	$ 8,722	$ -	$ 2,014,900

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash flow from operating activities			
Pre-tax profit for the current period		$ 141,003	$ 237,079
Adjustments			
Income, expense, and loss			
Depreciation	6 (21)	126,666	132,834
Amortization	6 (21)	1,881	1,786
Expected gain on credit impairment	12 (2)	-	(84)
Interest expenses	6 (20)	10,574	10,870
Net loss on financial assets and liabilities at fair value through profit and loss	6 (2)(19)	1,818	150
Interest income	6 (18)	(801)	(234)
Dividend income	6 (5) (18)	-	(3,778)
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method	6 (5)	(32,844)	(781)
Gain in disposal of property, plant and equipment	6 (6) (19)	-	(214,600)
Loss in impairment of non-financial assets	6 (8) (19)	-	9,841
Realized loss (gain) from sales		-	864
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss- current		-	211
Notes receivable-net		321	1,114
Net accounts receivable		(14,150)	94,688
Account receivables-Related Parties- net		(3,476)	14,940
Other receivable		(437)	20
Inventory		(38,702)	(31,963)
Right to goods return-Current		(11,084)	-
Prepayments		2,356	(439)
Net defined benefit assets		(1,063)	(1,527)
Net changes in liabilities relating to operating activities			
Contract liabilities - Current		57,235	(1,566)
Payable notes		-	847
Accounts payable		16,631	5,394
Other payable		18,944	(3,301)
Other current liabilities-others		3,888	(3,782)
Net cash provided by operating activities		278,760	248,583
Interest received		802	222
Dividends received		25,672	31,171
Interest paid		(11,063)	(10,987)
Income tax paid		(23,014)	(5,039)
Income tax refund		1,445	-
Net cash inflow from operating activities		272,602	263,950

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash flow from investing activities			
Acquisition of financial assets at fair value through other comprehensive profit or loss		$ -	($ 200,161)
Acquisition of investment under the equity method	6 (5)	(139,048)	(60,764)
Costs of property, plant and equipment acquired	6 (25)	(113,857)	(92,933)
Proceeds from disposal of property, plant and equipment	6 (6)	-	478,180
Acquisition of Intangible assets		(938)	(794)
Decrease (increase) in deposits paid		(591)	1,200
Net cash inflow (outflow) from investing activities		(254,434)	124,728
Cash flow from financing activities			
Decrease in short-term loans	6 (26)	(80,000)	(92,376)
Increase (decrease) in short-term payable notes	6 (26)	139,784	(169,946)
Proceeds from long-term loan	6 (26)	700,000	-
Re-payments of long-term borrowings	6 (26)	(667,440)	(130,000)
Decrease in deposits received		-	(54)
Cash dividend distribution	6 (16)	(93,072)	(38,780)
Lease principal repayment	6 (26)	(1,570)	-
Net cash outflow from financing activities		(2,298)	(431,156)
Increase (decrease) in cash and cash equivalents for the current period		15,870	(42,478)
Opening balance of cash and cash equivalents		65,472	107,950
Closing balance of cash and cash equivalents		$ 81,342	$ 65,472

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Notes to financial statements
2019 and 2018

Unit: NTD thousand
(Except where otherwise stated)

1. Organization and operations

Chunghwa Chemical Synthesis and Biotech Co., Ltd. (hereinafter referred to as the Company) was established in Taiwan on May 19, 1964. Originally named as China Chemical Synthesis Industry Co., Ltd., the company was renamed to the current name at the shareholder meeting in 2003. The main areas of business of the Company include research, development, manufacturing and sales of active pharmaceutical ingredients. The Company was officially listed in the Taiwan Stock Exchange on December 20, 2010.

2. Financial reporting date and procedures

The Board of Directors approved the individual financial statements for publication on March 9, 2020.

3. Application of new and revised standards and interpretation

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2019.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 9 "Characteristics of payback ahead of schedule with negative compensation."	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Amendment, curtailment or reimbursement of projects."	January 1, 2019
Amendments to IAS 28 "Long-term equity of affiliated enterprises and joint venture enterprises."	January 1, 2019
International Financial Reporting Interpretations Committee (IFRIC) No. 23 "Uncertainty Over Income Tax Treatments".	January 1, 2019
Improvements to IFRS 2015-2017	January 1, 2019

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

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2020.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
IAS 1 and IAS 8 amendments, Disclosure Initiative - Definition of Material.	January 1, 2020
IFRS 3 amendments, Definition of a business	January 1, 2020
"Interest Rate Benchmark Reform (Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	January 1, 2020

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

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

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

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to IFRS 10 and IAS 28 "The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures"	To be determined by the "International Accounting Standards Board (IASB).
IFRS 17 "Insurance Contracts"	January 1, 2021
Current or non-current classification of liabilities (Amendments to IAS 1)	January 1, 2022

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

4. Summary of significant accounting policies

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

(1) Compliance Statement

These standalone financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers".

(2) Basis of preparation

Except for the following items, these consolidated statements have been prepared under the historical cost convention:

(1) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(2) The defined benefit obligation are recognized according to the pension fund assets deducting the present value of the defined benefit obligation.

2. The financial statements prepared in accordance with the International Financial Reporting Standards, international accounting standards, interpretation and interpretation notice (referred to as "IFRS" hereinafter) that is recognized and approved by the FSC requires the use of some critical accounting estimates; also, the judgment by the management is required while using the Company's accounting policies. Please refer to Note 5 for the items involving extensive judgment or complexity, or significant assumptions and estimates related to the individual financial statements.

(3) Foreign-currency translations

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

1. Foreign Currency Transactions and Balances

   (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.

   (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.

   (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.

   (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

2. Translation of the financial statements of foreign operations

   (1) The operating results and financial position of all the invested entity that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

      A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.

      B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

      C. All resulting exchange differences are recognized in other comprehensive income.

   (2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Company retains partial interest in the former subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interests in the foreign operation.

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

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

   (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

   (2) Held mainly for the purpose of trading.

   (3) Assets that are expected to be realized within twelve months from the balance sheet date.

   (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

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

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

   (1) Liabilities that are expected to be paid off within the normal operating cycle.

   (2) Held mainly for the purpose of trading.

   (3) Expected to be repaid within 12 months of the balance sheet date

   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

1. Refer to the financial assets that are not measured at amortized cost or are measured at fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. The Company measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. Once the right to receive dividends is confirmed, the Company recognizes the dividend income in profit or loss if the future economic benefits are expected to flow to the entity and the dividend can be measured reliably.

(7) Accounts receivable and notes

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of Financial Assets

Financial assets measured at amortized cost, the Company, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(9) The de-recognition of financial assets

A financial asset is derecognized when the Company's rights to receive cash flows from the financial assets have expired.

(10) The lessor's lease transaction/business lease

Income from under an operating lease (net of any incentives given to the lessee) are recognized in profit or loss on a straight-line basis over the lease term.

(11) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The costs of finished and work in process goods include raw materials, direct labor, other direct costs and manufacturing-related expenses, excluding borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

(12) Investments using the equity method - Subsidiaries and affiliates

1. Subsidiaries refer to all entities (including structural entities) with the right to direct financial and operational policies. When the company is exposed to changes in rewards with the involvement of the entity or has rights to the said changes in rewards and that the rights of the entity can exert an influence on the rewards, the company is said to have control over the entity.
2. The unrealized gains and losses resulting from the transactions conducted between the Company and its subsidiaries had been written-off. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.
3. The Company recognized the shares of profit and/or loss of subsidiaries after acquisition as the profit and/or loss of the current term, and recognized the shares of profit and/or loss of other consolidated income after acquisition as other consolidated profit and/or loss of the current term. In the event that the shares of losses in a subsidiary recognized by the Company exceed the Company's equity in that subsidiary, the Company would continually recognize the losses *pro rata* to the shareholder percentages.
4. The term "associates" as set forth herein refers to the entities upon which the Company holds significant effect but holds no controlling power, normally as the shares of more than 20% of the voting power held by the Company either directly or indirectly. Over the investment in associates, the Company adopts equity method, recognizing them at cost at the moment of acquisition.
5. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
6. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Company will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.

7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Company.
8. When the Company disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Company loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
9. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss during the period and other comprehensive income presented in standalone financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(13) Property , plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 years ~ 60 years
Machinery equipment	2 years ~ 20 years
Transport equipment	3 years ~ 5 years
Other equipment	2 years ~ 40 years

(14) The lessee's lease transaction-right-of-use assets/lease liabilities.

Applicable in 2019

1. Lease assets are recognized on the day of the available for use by the Group as right-of-use assets and lease liabilities. If the lease contract is a short-term lease or a lease of an underlying asset with low-value, lease payment is recognized using the straight-line method as an expense during the period of lease based.
2. The lease liability on the first day of lease is recognized at the present value after unpaid lease payments are converted into cash according to the Group's incremental borrowing interest rate. Lease payments include fixed payments deducted by any lease incentives received. According to the follow-up interest method and measurements by the amortized cost method, interest incurring during the period of lease is provisioned. In case of changes in the period of lease or lease payments not attributed to contract modifications, the lease liability will be re-evaluated, and the remeasurement will be used to readjust the right-of-use asset.
3. The right-of-use asset is recognized by cost on the starting day of lease. The costs include:

   (1) The original measured amount of lease liability;

   (2) Any original direct costs incurred;

   The cost model is adopted for subsequent measurements. Either the end of the durability of right-of-use assets or the end of the period of lease incurring earlier will be provisioned as depreciation fees. When re-evaluating lease liability, the right-of-use asset will readjust any remeasurements of lease liability.

(15) Operating lease (lessee)

Applicable in 2018

Operating lease payments less any incentives from the lessor amortized over the lease term using the straight-line method are recognized in profit or loss in the current period.

(16) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model.

(17) Intangible assets

Computer software is recognized at cost and is amortized over the estimated useful life of 1 to 3 years according to the straight-line method.

(18) Losses in non-financial asset

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

(19) Loans

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) De-recognition of financial liabilities

The Company derecognizes a liability when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Financial assets and liabilities written-off against each other

Recognized financial liabilities and assets are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the discounted amount of the benefits expected to be paid in respect of service rendered by employees and are recognized as expenses in the period when the employees render service.

2. Pension

   (1) Defined contribution plan

   For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized to the extent of a cash refund or a reduction in the future payments.

   (2) Defined benefit plan

   A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

   B. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recoded as retained earnings.

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

3. Termination benefits

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

4. Remunerations for employees and directors

   Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the individual financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Dividends

Dividends distributed to shareholders of the Company are recognized in the financial statements when the shareholder meeting resolves to distribute dividends, and the cash dividends are recognized as liabilities.

(26) Recognition of revenue

1. Product sales

(1) The Company manufactures and sells API-related products. The sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and the Company has no outstanding performance obligations which may affect customers' acceptance of products. The delivery of products is considered occurs when the products are shipped to the designated locations and the risks of obsolescence and loss have been transferred to customers who accept the products under sales contracts, or when there is objective evidence showing that all acceptance criteria have been met.

(2) Account receivables are recognized when goods are delivered to customers. Since the Company has unconditional rights to the contract price from that point in time, only the passage of time is required before the payment is due.

2. Labor revenue

(1) The Company provides commissioned bio drug testing and other related services. Labor service income is recognized as income during the period of financial reporting on services provided to customers. Revenues from fixed price contracts are recognized based of the proportion of services provided in all services provided as of the balance sheet date. The percentage of service completion is based on the proportion of actual costs incurred in the total costs. The customer shall pay contract prices according to the payment time agreed. When services provided by the company exceed the customer's accounts payable, they are recognized as contract assets; if the customer's accounts payable exceeds the services provided by the company, they are recognized as contract liability.

(2) The Company's estimates of revenues, costs, and degree of work completion are subject to amendments as circumstances change. Any increase or decrease in estimated income or cost due to changes in estimates shall be reflected in profit or loss during the period in which the circumstances leading to the amendments are known to management.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

The preparation of these standalone financial statements requires the management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventory

The Company measures the normal sales of inventories by the lower of cost and net realizable value. For inventories that have existed longer than a certain period of time and are obsolete and damaged, net realizable value of each inventory is identified to be recognized as a loss. Therefore, the Company must use its best judgments and estimates to determine the net realizable value of inventory at the balance sheet date. Due to the stricter verification of active pharmaceutical ingredients and the lengthening time required to obtain drug licenses, the disposal of inventory is below expectation, resulting in the loss from inventory depreciation or the higher risk of inventory obsolescence. The Company assesses on the balance sheet date the inventory due to normal wear and tear, obsolescence or without market sales value and reduces the inventory cost to net realizable value. The inventory assessment may experience significant changes due to fluctuations in the net realizable value of future products. As of December 31, 2019, the book balance of the Company's inventories is NT$401,100.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 115	$ 207
Checking accounts and demand deposits	51,247	34,550
Time deposits	29,980	30,715
	$ 81,342	$ 65,472

1. The financial institutions that the Company deals with are with good credit quality; also, the Company deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. None of the Company's cash and cash equivalents pledged to others as collateral.

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

Item	December 31, 2019	December 31, 2018
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
China Development Biomedical Venture Capital (limited company)	$ 30,000	$ 30,000
Evaluation adjustment	(1,840)	(22)
	$ 28,160	$ 29,978

1. Financial assets at fair value through profit and loss is detailed as follows:

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	($ 1,818)	($ 361)
Derivatives	-	211
	($ 1,818)	($ 150)

2. The Company's transactions in respect of derivative financial assets not covered by the hedge accounting are as follows:

   In order to avoid the risk of value fluctuations in foreign currency assets and liabilities due to exchange rate fluctuations, the Company undertook forward foreign exchange in 2018, but it was not applicable to hedging accounting. Refer to Attachment 6 (19) for relevant profit and loss.

3. Please see Note 12 (2) for the credit risk information related to financial assets at fair value through profit and loss.

(3) Note receivable and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 345	$ 666
Less: Allowance for losses	-	-
	$ 345	$ 666
Accounts receivable	$ 49,888	$ 35,738
Less: Allowance for losses	(248)	(248)
	$ 49,640	$ 35,490

1. Aging of accounts receivable and notes receivable is as follows:

   (1) Notes receivable

	December 31, 2019	December 31, 2018
Not overdue	$ 345	$ 666

   (2) Accounts receivable

	December 31, 2019	December 31, 2018
Not overdue	$ 49,888	$ 29,400
Overdue within 30 days	-	6,203
Overdue 31-90 days	-	135
	$ 49,888	$ 35,738

   The aforementioned aging analysis is based on the overdue days.

2. The accounts receivables and bills receivable balance in 2019 and December 31, 2018 were generated from the client contract. The accounts receivables balance and allowance loss in the client contract as of January 1, 2018 amount to NT$132,218 and NT$0 respectively.

3. While not considering the collaterals or other credit enhancements, the notes and accounts receivable held by the Company had the maximum exposure of credit risk at NT$49,985 and NT$36,156, respectively, as of December 31, 2019 and 2018.

4. The Company does not hold any collaterals.

5. Please see Note 12 (2) for the credit quality of the accounts receivable and notes receivable.

(4) Inventory

	December 31, 2019		
	Cost	Price loss allowance	Book value
Raw materials	$ 103,841	($ 10,615)	$ 93,226
Work in process	91,407	(5,366)	86,041
Finished products	280,837	(59,004)	221,833
	$ 476,085	($ 74,985)	$ 401,100

	December 31, 2018		
	Cost	Price loss allowance	Book value
Raw materials	$ 65,175	($ 18,109)	$ 47,066
Work in process	118,584	(3,905)	114,679
Finished products	261,417	(60,764)	200,653
	$ 445,176	($ 82,778)	$ 362,398

The Company's current inventory cost recognized as expenses:

	2019	2018
Cost of inventory sold	$ 683,207	$ 659,632
Loss on inventory falling price (gain from price recovery)	(7,793)	4,266
Proceeds from sale of scraps.	(4,669)	(5,372)
Inventory disposition losses	9,737	-
	$ 680,482	$ 658,526

The Company has successively cleared or sold inventory provisioned loss on falling price in the previous year, recognized as loss on inventory falling price (gain from price recovery).

(5) Investments accounted for by the equity method

	December 31, 2019	December 31, 2018
Affiliate business:		
China Chemical & Pharmaceutical Co., Ltd.	$ 478,894	$ 325,381
Subsidiaries:		
PHARMAPORTS, LLC	11,345	12,070
CCSB HOLDING CO., LTD.	16,700	17,988
	$ 506,939	$ 355,439

1. Affiliate business

(1) The basic information of the Company's main affiliates is shown as follows:

		Ratio of Shareholding			
Company name	Main places of business operations	December 31, 2019	December 31, 2018	Type of affiliation	Measurement
China Chemical & Pharmaceutical Co., Ltd.	Taiwan	8.49%	6.00%	Affiliate business	Equity method

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

Balance Sheet

	China Chemical & Pharmaceutical Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 3,174,209	$ 2,870,206
Non-Current assets	6,698,924	6,415,908
Current liabilities	(1,696,771)	(1,553,152)
Non-current liabilities	(2,269,899)	(2,062,404)
Total net assets	$ 5,906,463	$ 5,670,558
Book value of affiliates	$ 478,894	$ 325,381

Comprehensive income statement

	China Chemical & Pharmaceutical Co., Ltd.	
	2019	2018
Income	$ 3,596,186	$ 3,273,208
Current net profits from continuing operations	$ 384,690	$ 369,870
Other comprehensive income (net after tax)	88,766	(50,802)
Total comprehensive income for the period	$ 473,456	$ 319,068

2. Profit and loss of subsidiaries and associates recognized by using equity method:

	2019	2018
China Chemical & Pharmaceutical Co., Ltd.	$ 28,221	$ 1,402
PHARMAPORTS, LLC	5,913	1,794
CCSB HOLDING CO., LTD.	(1,290)	(2,415)
	$ 32,844	$ 781

3. Xiang-Da was dissolved by the shareholder meeting on August 9, 2016. The settlement was completed on December 15, 2017 and a letter of settlement completion was obtained from the court on January 23, 2018.
4. The Company's holding of the shares of China Chemical & Pharmaceutical is classified as financial assets at fair value through other comprehensive income, and the dividend income recognized in profit or loss for 2018 was NT$3,778 and a net loss of NT$30,108 was recognized in other comprehensive income.
5. The Company obtained a board seat in the China Chemical & Pharmaceutical after it re-elected its board on November 14, 2018. Due to the significant impact on the company, it was transferred to "Investments accounted for using equity method" at an amount of NT$263,828, and the retained earnings was NT$39,758.
6. The Company's investment in China Chemical & Pharmaceutical has a public offer of which the fair value were NT$486,912 and NT$322,996 as of December 31, 2019 and 2018, espectively.
7. For information on the Company's subsidiaries, please refer to Note 4 (3) of 2019 consolidated financial statements.

(6) Property , plant, and equipment

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1, 2019							
Cost	$ 1,454,384	$ 648,624	$ 1,063,615	$ 6,899	$ 520,058	$ 24,601	$ 3,718,181
Accumulated depreciation and impairment	-	(398,676)	(770,322)	(6,412)	(347,564)	-	(1,522,974)
	$ 1,454,384	$ 249,948	$ 293,293	$ 487	$ 172,494	$ 24,601	$ 2,195,207
2019							
January 1	$ 1,454,384	$ 249,948	$ 293,293	$ 487	$ 172,494	$ 24,601	$ 2,195,207
Additions	-	3,553	4,717	-	16,867	85,028	110,165
Reclassification	-	10,687	62,466	-	19,208	(92,361)	-
Depreciation	-	(23,155)	(65,430)	(212)	(36,284)	-	(125,081)
December 31	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,285	$ 17,268	$ 2,180,291
December 31, 2019							
Cost	$ 1,454,384	$ 662,864	$ 1,128,088	$ 6,899	$ 553,177	$ 17,268	$ 3,822,680
Accumulated depreciation and impairment	-	(421,831)	(833,042)	(6,624)	(380,892)	-	(1,642,389)
	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,285	$ 17,268	$ 2,180,291

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1, 2018							
Cost	$ 1,454,384	$ 643,427	$ 1,035,402	$ 6,899	$ 484,424	$ 7,845	$ 3,632,381
Accumulated depreciation and impairment	-	(374,637)	(693,014)	(6,086)	(316,225)	-	(1,389,962)
	$ 1,454,384	$ 268,790	$ 342,388	$ 813	$ 168,199	$ 7,845	$ 2,242,419
2018							
January 1	$ 1,454,384	$ 268,790	$ 342,388	$ 813	$ 168,199	$ 7,845	$ 2,242,419
Additions	-	3,562	14,844	-	18,387	58,697	95,490
Disposition	-	-	(27)	-	-	-	(27)
Reclassification	-	1,635	19,677	-	20,629	(41,941)	-
Depreciation	-	(24,039)	(73,748)	(326)	(34,721)	-	(132,834)
Impairment loss	-	-	(9,841)	-	-	-	(9,841)
December 31	$ 1,454,384	$ 249,948	$ 293,293	$ 487	$ 172,494	$ 24,601	$ 2,195,207
December 31, 2018							
Cost	$ 1,454,384	$ 648,624	$ 1,063,615	$ 6,899	$ 520,058	$ 24,601	$ 3,718,181
Accumulated depreciation and impairment	-	(398,676)	(770,322)	(6,412)	(347,564)	-	(1,522,974)
	$ 1,454,384	$ 249,948	$ 293,293	$ 487	$ 172,494	$ 24,601	$ 2,195,207

1. There were impairments in 2018 due to the replacement of old equipment in the production line. The impairment loss was valued at NT$9,841, subtracting the disposal cost from the fair value of the equipment. Please refer to Note 6 (8).

2. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.

(7) Investment property

	December 31, 2019	December 31, 2018
Land cost	$ 10,700	$ 10,700

1. Rental income and direct operating expenses of investment properties:

	2019	2018
Rental income of investment properties	$ 881	$ 914
Direct operating expenses incurred in investment properties that have rental income in the current period	$ 48	$ 48

2. The fair value of investment properties held by the Company for the years ended December 31, 2019 and 2018 were NT$50,239, based on the transaction prices of the adjacent lands.

(8) Losses in non-financial asset

1. The impairment loss recognized by the Company in the year of 2018 was NT$9,841, and the breakdown is shown as follows:

	2019	2018
	Recognized in profit or loss of the period	Recognized in profit or loss of the period
Impairment loss - Machine and equipment	$ -	$ 9,841

2. The abovementioned impairment losses are all from the departments in Taiwan.

(9) Shot-term borrowings

Loans nature	December 31, 2019	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 70,000	1.10%~1.14%	None

Loans nature	December 31, 2018	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 150,000	1.10%～1.16%	None

(10) Short-term bills payable

	December 31, 2019	December 31, 2018
Face value of commercial paper	$ 220,000	$ 80,000
Less: Discount in short-term bills payable	(260)	(44)
	$ 219,740	$ 79,956
Interest rate collars	1.06%~1.08%	1.04%~1.07%

(11) Other payable

	December 31, 2019	December 31, 2018
Salary and bonus payables	$ 47,884	$ 36,285
Commission payable	7,358	4,616
Remuneration to employees and directors and supervisors payable	22,312	17,256
Equipment payables	5,777	9,469
Repair fees payable	6,445	8,488
Others	34,286	33,185
	$ 124,062	$ 109,299

(12) Long-term borrowings

	December 31, 2019	December 31, 2018
Bank loan		
Secured loans	$ -	$ 567,440
Credit loan	600,000	-
	$ 600,000	$ 567,440
Interest rate collars	1.40%~1.49%	1.28%

1. The one-time repayment of credit loan is due in 2021.
2. Please refer to Note 8 for details of the guarantee.

(13) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the “Labor Standards Act”, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 5% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

(2) The amounts recognized in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	($ 109,160)	($ 117,386)
The fair value of plan assets	131,261	135,882
Net defined benefit assets	$ 22,101	$ 18,496
(Recognized as Other non-current assets)		

(3) Changes in net defined benefit assets are as follows:

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2019			
Balance at January 1	($ 117,386)	$ 135,882	$ 18,496
Current service cost	(1,521)	-	(1,521)
Interest (expense) income	(1,125)	1,323	198
	(120,032)	137,205	17,173
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,940	4,940
The effect of changes in financial assumptions	(2,688)	-	(2,688)
Experience adjustments	290	-	290
	(2,398)	4,940	2,542
The appropriation of pension fund	-	2,386	2,386
Pension payments	13,270	(13,270)	-
Balance at December 31	($ 109,160)	$ 131,261	$ 22,101

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2018			
Balance at January 1	($ 113,635)	$ 133,098	$ 19,463
Current service cost	(1,644)	-	(1,644)
Interest (expense) income	(1,102)	1,322	220
	(116,381)	134,420	18,039
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,356	4,356
Experience adjustments	(6,850)	-	(6,850)
	(6,850)	4,356	(2,494)
The appropriation of pension fund	-	2,951	2,951
Pension payments	5,845	(5,845)	-
Balance at December 31	($ 117,386)	$ 135,882	$ 18,496

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2019	2018
Discounted rate	0.70%	1.00%
Future salary increases rate	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience in the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2019				
The impact on the present value of the defined benefit obligations	($ 2,247)	$ 2,323	$ 2,287	($ 2,224)
December 31, 2018				
The impact on the present value of the defined benefit obligations	($ 2,554)	$ 2,642	$ 2,610	($ 2,536)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

(6) The expected contributions to the defined benefit pension plans of the Company for the 2020 are NT$2,446.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the "Labor Pension Act" for the employees of Taiwan nationality since July 1, 2005. The Company has established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act" covering all regular employees. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to an employee's individual pension account at the Bureau of Labor Insurance. The

payment of pension benefits is based on an employee's individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were NT$8,259 and NT$8,109, respectively.

(14) Share capital

1. As of December 31, 2019, the Company's authorized capital was NT$1,600,000, consisting of 160,000 thousand shares of ordinary stock, and the paid-in capital was NT$775,600 with a par value of NT$10 (in dollars) per share. All issued capital of the Company were paid up.
2. The number of the Company's outstanding ordinary shares was 77,560 thousand as of 2019 and 2018.
3. The affiliation of the Company held 17,331 thousand shares of the Company as of December 31, 2019 and 2018.

(15) Capital reserve

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(16) Retained earnings

1. According to the Company's articles of incorporation, the dividend policy considers the Company's future capital needs and long-term financial planning and meets the shareholders' demand for cash inflows. The current year's earning, if any, shall first be used to offset prior years' operating losses and pay all taxes, and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be allocated. If there is still surplus, it can be put together with the accumulated undistributed surplus of the previous year as the surplus available this year for distribution. Part of it can be retained, depending on the Company's business needs for the year, before being distributed to shareholders. Cash dividends shall not be less than 50% of the shareholder dividend given, but when the cash dividend is calculated to be less than NT$0.1 per share, it can be given in the form of stock dividend.
2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) When adopting IFRSs for the first time, refer to Jin-Guan-Zheng-Fa-Zi Document #1010012865 on special reserve. The Company will conduct a reversal of the originally allocated special reserve when using, disposing of or reclassifying assets.

4. (1) The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on May 29, 2019 and May 31, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal earnings reserve	$ 23,425		$ 8,577	
Cash dividend	93,072	$ 1.2	38,780	$ 0.5
	$ 116,497		$ 47,357	

(2) The appropriations of 2019 earnings had been proposed by the Board of Directors on March 9, 2020. Details are summarized below:

	2019	
	Amount	Dividends per share ($)
Legal earnings reserve	$ 11,885	
Cash dividend	62,048	$ 0.8
	$ 73,933	

5. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6 (21).

(17) Operating revenues

	2019	2018
Revenue from Contracts with Customers	$ 1,135,207	$ 994,632

1. Segmentation of revenue from contracts with customers

The revenue is derived from providing goods that are transferred at a certain point in time, and the sources of revenue can be broken down into the following geographical areas:

2019	Taiwan	United States	Total
Revenue from contracts with external customers	$ 625,308	$ 509,899	$ 1,135,207
Time point of sales income recognition			
Revenues recognized at a specific time	$ 613,295	$ 509,899	$ 1,123,194
Revenues gradually recognized with time	12,013	-	12,013
	$ 625,308	$ 509,899	$ 1,135,207

2018	Taiwan	United States	Total
Revenue from contracts with external customers	$ 522,270	$ 472,362	$ 994,632
Time point of sales income recognition			
Revenues recognized at a specific time	$ 522,270	$ 472,362	$ 994,632

2. Contract assets and contract liabilities

(1) The contract assets and contract liabilities of customer contract revenue recognized by the Company are shown as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets			
Contract assets -Labor services	$ 452	$ -	$ -
Contract liabilities:			
Contract liabilities			
-Drug sale contracts	$ 54,520	$ 1,579	$ 1,566
-Labor services	2,263	-	-
	$ 56,783	$ 1,579	$ 1,566

(2) The initial contract liabilities arising from sales contracts recognized as revenues in 2019 and 2018 total NT$1,579 and NT$1,566 respectively.

(18) Other revenue

	2019	2018
Dividend income	$ -	$ 3,778
Rent revenue	1,570	2,901
Interest income		
Interest from bank deposits	792	222
Other interest incomes	9	12
Other Revenue- other	5,380	6,983
	$ 7,751	$ 13,896

(19) Other profits and losses

	2019	2018
Gains (losses) from disposal of property or equipment	$ -	$ 214,600
Net foreign exchange profit (loss)	(1,061)	2,982
Impairment loss	-	(9,841)
Miscellaneous income	-	(3,290)
Net loss on financial assets and liabilities at fair value through profit and loss (Note)	(1,818)	(150)
	($ 2,879)	$ 204,301

Note: In order to avoid the risk of price fluctuation in value of foreign currency assets and liabilities due to exchange rate fluctuations, the Company adopts forward foreign exchange transactions and no hedge accounting is applied. The net profit recognized in 2019 and 2018 were NT$0 and NT$211, respectively.

The Company signed a land sale agreement with Hung-Da Development in May 2018. The total transaction price was NT$480,000, to be collected in three periods. The payments were received by July 10, 2018. The title transfer of the land was completed in July 2018. With the deduction of the sale-related expenses for NT$1,856, the income from disposal of the land was NT$214,591.

(20) Financial costs

	2019	2018
Interest expenses:		
Bank loan	$ 10,574	$ 10,870

(21) Employee benefit expense, depreciation and amortization

1. Employee benefit expense, depreciation and amortization:

Functionality Characteristics	2019		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 101,768	$ 135,764	$ 237,532
Labor insurance and national health insurance	9,582	10,647	20,229
Pension expenses	3,547	6,035	9,582
Directors' remuneration	-	6,584	6,584
Other employee expenses	7,539	10,201	17,740
Depreciation	94,489	32,177	126,666
Amortization	10	1,871	1,881

Functionality Characteristics	2018		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 101,482	$ 112,717	$ 214,199
Labor insurance and national health insurance	9,434	9,484	18,918
Pension expenses	3,907	5,626	9,533
Directors' remuneration	-	6,258	6,258
Other employee expenses	7,665	6,399	14,064
Depreciation	104,522	28,312	132,834
Amortization	25	1,761	1,786

Note 1: The number of employees in 2019 and 2018 were 301 and 293 people respectively. Among them, the number of directors not concurrently employees totaled six people.

Note 2. The company is TAIEX listed. Therefore, the following information should be added:

(1) The average expenditure of employee benefits for 2019 and 2018 was NT$966 and NT$894 respectively.

(2) The average expenditure of employee salaries for 2019 and 2018 was NT$805 and NT$746 respectively.

(3) Changes in the average employee salary expense adjustment are 8%.

2. Remunerations for employees and directors:

(1) According to the articles of incorporation of the Company, a portion of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% to 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

(2) A. For the 2019, employees' compensation was accrued at NT$18,835 while directors' remuneration was accrued at NT$1,884. The aforementioned amounts were recognized in salary expenses.

B. For the 2018, employees' compensation was accrued at NT$15,488 while directors' remuneration was accrued at NT$1,549. The aforementioned amounts were recognized in salary expenses.

C. The employees' compensation and directors' remuneration were estimated and accrued based on 11.6% and 1.2% of profit of current year distributable for the 2019, respectively, with the estimated amount in line with the resolution of the board of directors. The abovementioned employee compensation will be paid in cash.

D. The employees' compensation and directors' remuneration resolved by the Board of Directors for 2018 were NT$15,488 and NT$1,549, respectively, consistent with the amount recognized in the 2018 financial report.

E. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System".

(22) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Current income tax	$ 21,849	$ 13,152
Additional levy on undistributed earnings	492	4,036
Overestimated income tax in prior periods	(43)	(2,593)
Total Current income tax	22,298	14,595
Deferred income tax:		
Origin and reversal of temporary differences	1,702	(10,709)
Impact from change in tax rate	-	(1,058)
Income tax expense	$ 24,000	$ 2,828

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

	2019	2018
Defined benefit obligation revaluation amount and volume	$ 508	($ 498)
Impact from change in tax rate	-	250
	$ 508	($ 248)

2. Reconciliation between income tax expense and accounting profit:

	2019	2018
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 28,202	$ 47,416
Tax-free income by Income Tax Law	(5,644)	(43,954)
Impact on income tax from items excluded according to the tax law	374	188
Realizable changes from deferred income tax assets	-	(1,207)
Additional levy on undistributed earnings	492	4,036
Overestimated income tax in prior periods	(43)	(2,593)
Impact from change in tax rate	-	(1,058)
Foreign dividend withholding tax rate difference	619	-
Income tax expense	$ 24,000	$ 2,828

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

	2019			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net loss	December 31
Timing difference:				
- Deferred income tax assets:				
Falling price of inventory	$ 16,556	($ 1,560)	$ -	$ 14,996
Unrealized exchange loss	60	204	-	264
Impairment loss of fixed assets	2,339	(681)	-	1,658
Bonus payable for paid leave not taken	1,037	233	-	1,270
Profit and loss recognized by using equity method	293	315	-	608
Subtotal	20,285	(1,489)	-	18,796
- Deferred income tax liabilities:				
Determined benefit obligation	(3,699)	(213)	(508)	(4,420)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(243,863)	(213)	(508)	(244,584)
Total	($ 223,578)	($ 1,702)	($ 508)	($ 225,788)

	2018			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net profit	December 31
Timing difference:				
- Deferred income tax assets:				
Falling price of inventory	$ 13,347	$ 3,209	$ -	$ 16,556
Unrealized exchange loss	299	(239)	-	60
Impairment loss of fixed assets	469	1,870	-	2,339
Bonus payable for paid leave not taken	672	365	-	1,037
Profit and loss recognized by using equity method	-	293	-	293
Subtotal	14,787	5,498	-	20,285
- Deferred income tax liabilities:				
Profit and loss recognized by using equity method	(6,760)	6,760	-	-
Unrealized exchange gain	(147)	147	-	-
Determined benefit obligation	(3,309)	(638)	248	(3,699)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(250,380)	6,269	248	(243,863)
Total	($ 235,593)	$ 11,767	$ 248	($ 223,578)

4. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2017.
5. The amendments to Taiwan Income Tax Act came into effect on February 7, 2018, and the tax rate for the for-profit business income tax has been increased from 17% to 20%. The amendments have been applied since 2018. The Company has assessed the related income tax implications for the tax rate change.
6. The amendments to the Industry Innovation Regulations promulgated by the President took effect on July 24, 2019. The investment amount meeting the review conditions of the taxation agency and used to compute the undistributed surplus for the current year in accordance with Article 66-9 of the Income Tax Act may be listed as a deductible item, which shall be applicable upon the declaration of undistributed surplus for levying business income tax in 2018. The company has re-evaluated payable undistributed revenue taxes.

(23) Earnings per share

	2019		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share (NT$)
Base earnings per share			
Current period net profit	$ 117,003	77,560	$ 1.51
Diluted earnings per share			
Current period net profit	$ 117,003	77,560	
Effect of dilutive potential ordinary shares:			
Employees' compensation	-	644	
The effect of net profit in the current period to the potential ordinary shares	$ 117,003	78,204	$ 1.50

	2018		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share (NT$)
Base earnings per share			
Current period net profit	$ 234,251	77,560	$ 3.02
Diluted earnings per share			
Current period net profit	$ 234,251	77,560	
Effect of dilutive potential ordinary shares:			
Employees' compensation	-	718	
The effect of net profit in the current period to the potential ordinary shares	$ 234,251	78,278	$ 2.99

(24) Operating lease

Applicable in 2018

The Company leases assets such as automobiles and offices by adopting operating leases which last 3 to 6 years. Lease fees of NT$2,120 were recognized in 2018. The future aggregate minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018
Less than 1 year	$ 1,659
Over 1 year but less than 5 years	2,274
	$ 3,933

(25) Supplemental cash flow information

Investing activities partially funded with cash:

	2019	2018
Purchase of property, plant, and equipment	$ 110,165	$ 95,490
Add: Opening balance of payable on equipment	9,469	6,912
Less: Ending balance of payable on equipment	(5,777)	(9,469)
Cash Paid for the Period	$ 113,857	$ 92,933

(26) Changes in liabilities arising from financing activities

	2019				
	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$150,000	$ 79,956	$ 567,440	$ 3,753	$ 801,149
Loan	590,000	230,059	700,000	-	1,520,059
Repayment	(670,000)	(90,275)	(667,440)	(1,570)	(1,429,285)
Other non-cash changes	-	-	-	505	505
December 31	$ 70,000	$ 219,740	$ 600,000	$ 2,688	$ 892,428

	2018			
	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Total liabilities arising from financing activities
January 1	$ 242,376	$ 249,902	$ 697,440	$ 1,189,718
Loan	200,000	79,956	-	279,956
Repayment	(292,376)	(249,902)	(130,000)	(672,278)
December 31	$ 150,000	$ 79,956	$ 567,440	$ 797,396

7. Related party transactions

(1) Name and relationship of related parties

Name	Relationship with The Company
PHARMAPORTS, LLC (PPL)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd. (CCPC)	The Company's main affiliates
Chunghwa Yuming Healthcare Co., Ltd. (CYH)	The Company's main affiliates
Tairung Development Co., Ltd.	The Company's main affiliates

(2) Major transactions with related parties

1 Operating revenue

	2019	2018
Product sales:		
PPL	$ 509,899	$ 472,362
CCPC	50,893	60,060
	$ 560,792	$ 532,422

(1) The transaction price of the Company's sales to related parties is based on the price agreed by both parties.

(2) The Company's collection period for non-interested parties is 30 to 120 days after delivery, and the collection period for interested parties is 120 days after delivery.

(3) The Company signed a raw material production and sales contract with China Chemical & Pharmaceutical Co., Ltd. in 2016 and renewed the contract in 2019. The Group sold raw materials to the said party at the net cost +30% profit for processing into goods; the Group is entitled to a differential profit ratio of 50% profit from actual sales (China Chemical & Pharmaceutical Co., Ltd. gross profit and the Company's sales gross profit).

2. Accounts receivable

	December 31, 2019	December 31, 2018
Account receivable from related parties:		
PPL	$ 73,369	$ 67,737
CCPC	24,339	26,495
Less: Allowance for losses	(46)	(46)
	$ 97,662	$ 94,186

3. Other receivable

	Nature of main transactions	December 31, 2019	December 31, 2018
PPL	Dividend receivables	$ -	$ 3,496
PPL	Agency collection and payment	358	450
CYH	Agency collection and payment	-	186
		$ 358	$ 4,132

4. The Group's business supplies purchased in 2019 totaled NT$2,219 and are listed as miscellaneous fees.

(3) Remuneration to key management

	2019	2018
Salaries and other short-term employee benefits	$ 24,505	$ 25,889
Termination benefits	1,246	2,194
Retirement benefits	376	348
	$ 26,127	$ 28,431

8. Pledged assets

The Company's assets are used as collateral as follows:

Asset Item	Book Value December 31, 2019	December 31, 2018	Purpose of guarantee
property , plant, and equipment	$ 712,984	$ 712,984	Long-term borrowings

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingencies

None.

(2) Commitments

1. Capital expenditures that have been signed but not yet incurred

	December 31, 2019	December 31, 2018
Property , plant, and equipment	$ 24,027	$ 10,898

2. Operating lease agreement
Please refer to Note 6 (24) for details.

10. Significant disaster loss

None.

11. Major post-balance sheet events

Please refer to Note 6 (16) 4 for a description on distribution of surplus for 2019.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Company's capital structure. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

The Company maintained the same strategy in 2019 as in 2018 and is committed to keeping the debt-to-capital ratio between 20% and 45%.

(2) Financial instruments

1. Types of financial instrument

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 28,160	$ 29,978
Financial assets based on cost after amortization		
Cash and cash equivalents	81,342	65,472
Notes receivable	345	666
Accounts receivable (including related parties)	147,302	129,676
Other receivable	6,335	9,397
Deposits paid (Recognized as Other non-current assets)	5,269	6,478
	$ 268,753	$ 241,667
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 70,000	$ 150,000
Short-term bills payable	219,740	79,956
Payable notes	1,192	1,192
Accounts payable	77,226	60,595
Other payable	124,062	109,299
Long-term borrowings	600,000	567,440
Deposits received (Recognized as other non-current liabilities-others and deposits received)	522	522
	$ 1,092,742	$ 969,004
Lease liabilities (including current and non-current)	$ 2,688	$ -

2. Risk management policies

(1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management policy focuses on unpredictable events in the financial market, and the Company seeks to mitigate potential adverse effect on the financial position and performance.

(2) The Company's Finance Department identifies and assesses financial risks in close collaboration with the Company's other operating units.

3. The nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

A. The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies, especially in US dollars. The related exchange risk from future operating activities have been recognized in assets and

liabilities.

B. The Finance Department of the Company conducts hedging for the overall exchange rate risk. Exchange rate risk is measured by highly probable transactions in US dollars. Forward foreign exchange contracts are adopted to reduce the impact of exchange rate fluctuations on expected transactions.

C. The Company circumvents exchange rate risk by using forward exchange rate transactions but does not conduct hedge accounting. Please refer to Note 6 (2) for details on financial assets at fair value through profit and loss.

D. The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2019		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 5,355	29.980	$ 160,543
Investments accounted for by the equity method			
USD: NTD	$ 378	29.980	$ 11,345
Financial liabilities			
Monetary items			
USD: NTD	$ 1,154	29.980	$ 34,597

	December 31, 2018		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 4,089	30.715	$ 125,594
Investments accounted for by the equity method			
USD: NTD	$ 393	30.715	$ 12,069
Financial liabilities			
Monetary items			
USD: NTD	$ 242	30.715	$ 7,433

E. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to a loss of (NT$1,061) and a gain of NT$2,982 for the 2019 and 2018, respectively.

F. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

	2019		
		Sensitivity analysis	
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 1,605	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 346)	$ -

	2018		
		Sensitivity analysis	
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 1,256	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 74)	$ -

Price risk

A. The Company is exposed to the price risk of financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income. To manage the price risk of equity instruments, the Company diversifies its investment portfolio in a manner that is based on the limits set by the Company.

B. The Company invests primarily in equity instruments issued by domestic companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. In case the price of the said equity instrument rises or drops by 10% while the other factors remain unchanged, the after-tax net profit for 2019 and 2018 due to the profit or loss of the equity instrument measured from fair value through profit and loss will increase or decrease by NT$2,816 and NT$2,998 respectively.

Cash flow and fair value interest rate risk

A. The Company's interest rate risk mainly comes from short-term borrowings issued at floating rates, short-term bills payable and long-term borrowing, which exposes the Company to cash flow interest rate risk. The Company's policy is to maintain at least 40% of the borrowings at fixed interest rates, which can be achieved through interest rate swap when necessary. For 2019 and 2018, the Company's borrowings issued at floating rates were mainly denominated in New Taiwan dollars.

B. If the interest rates of borrowing NTD increases or decreases by 1%, while all other

factors remain constant, the net profit after tax for 2019 and 2018 is an increase of NT$4,800 and NT$6,379, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

A. Credit risk refers to the risk of financial loss of the Company arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable.

B. The management of credit risk is established with a Company perspective. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored.

C. The Company adopts the above assumption provided by the IFRS 9 that if a contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is considered a breach of contract.

D. The Company adopts the following assumption provided by the IFRS 9 as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:

If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.

E. The Company categorizes the accounts receivable from customers based on their nature. The provision matrix and the loss ratio method are adopted as the basis for estimating the expected credit loss.

F. The Company may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Company will still continue the recourse to protect the rights of the claims. For the year ended December 31, 2019 and 2018, the Company has no creditor's rights that have been written off but are involved in recourse.

G. The Company has included the global economic indicators and signals and estimated the loss allowance for notes receivable and accounts (including the interested parties) based on the loss rates built according to historic and current data. The provision matrix and loss rate as of December 31, 2019 and 2018 are show as follows:

December 31, 2019	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.02%~0.24%	$ 134,228	$ 285
Overdue within 30 days	0.30%~2.95%	13,713	9
Overdue 31 to 60 days	0.30%~3.01%	-	-
Overdue 61 to 90 days	0.63%~6.34%	-	-
Overdue 91	10%~100%	-	-
		$ 147,941	$ 294

December 31, 2018	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.03%~0.3%	$ 124,298	$ 128
Overdue within 30 days	0.37%~3.69%	6,203	158
Overdue 31 to 60 days	0.38%~3.76%	135	8
Overdue 61 to 90 days	0.79%~7.92%	-	-
Overdue 91	10%~100%	-	-
		$ 130,636	$ 294

H. The Company adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	2019 Notes receivable and accounts (including interested parties)
January 1	$ 294
Impairment loss is recognized	-
December 31	$ 294

	2018 Notes receivable and accounts (including interested parties)
January 1_IAS 39	$ -
Applicable new criteria	378
January 1_IFRS 9	378
Impairment loss reversal	(84)
December 31	$ 294

The amount recognized above is based on other credit enhancements held, so the unrecognized loss allowance as of December 31, 2019 and 2018 are NT$199 and NT$302. Among the reversed loss in 2019 and 2018, NT$0 and NT$84 is the impairment loss reversed by payables derived from customer contracts.

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's Finance Department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs and maintain sufficient unencumbered loan commitments at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

B. The Company's unutilized borrowings are shown as follows:

	December 31, 2019	December 31, 2018
Maturing in one year or less	$ 870,000	$ 1,010,000
Mature beyond one year	320,000	320,000
	$ 1,190,000	$ 1,330,000

C. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2019	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 70,000	$ -	$ -
Short-term bills payable	220,000	-	-
Payable notes	1,192	-	-
Accounts payable	77,226	-	-
Other payable	124,062	-	-
Lease liabilities	1,614	1,002	100
Long-term borrowings	8,850	608,729	-
Deposits received (Recognized as other current liabilities-others)	522	-	-

Non-derivative financial liabilities:

December 31, 2018	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 150,000	$ -	$ -
Short-term bills payable	79,956	-	-
Payable notes	1,192	-	-
Accounts payable	60,595	-	-
Other payable	109,299	-	-
Long-term borrowings	7,263	573,007	-
Deposits received	522	-	-

(3) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

   Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in publicly traded or OTC stocks is included.

   Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

   Level 3: The unobservable inputs of assets or liabilities.

2. Please refer to Note 6 (7) for the fair value of investment property carried at cost.

3. Financial instrument not measured at fair value:

   Include the book value of cash and cash equivalents, notes receivable, accounts receivable (including the interested parties), other receivable, short-term borrowings, short-term notes payable, Notes payable, accounts payable and other accounts payable as reasonable approximation of fair value.

4. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:
   (1) The Company classifies them based on the nature of assets and liabilities, and the information is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 28,160	$ 28,160

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 29,978	$ 29,978

   (2) The methods and assumptions adopted by the Company to measure fair value are as follows:
      A. The fair value of other financial instruments is obtained by valuation or reference to quotation from counterparties.
      B. When assessing non-standardized and less complex financial instruments, the Company adopts valuation techniques widely used by other market participants. The parameters used in the valuation models for this type of financial instruments are usually observable market information.
      C. The valuation of financial derivatives is based on the valuation models widely accepted by market participants, such as the discounting method. Forward exchange contracts are usually evaluated based on the current forward exchange rate.
      D. The output of valuation models are estimates, and the valuation techniques may not reflect all factors affecting the financial instruments and non-financial instruments held by the Company. Therefore, the estimates of valuation models will be adjusted according to additional parameters, such as model risk or liquidity risk. Based on the management policies of the Company's valuation model at fair value and the related control procedures, the management believes that to fairly present the fair value of financial and non-financial instruments in the consolidated balance sheet, adjusting valuation may be appropriate and necessary. Price information and parameters used in valuation are carefully assessed and they are appropriately adjusted according to the current market conditions.
5. There were no transfers between Level 1 and 2 in 2019 and 2018.
6. The following table shows the changes in Level 3 in 2019 and 2018:

	2019
	Equity instruments
January 1	$ 29,978
Income recognized in profit or loss (Note)	(1,818)
December 31	$ 28,160

	2018
	Equity instruments
January 1	$ 30,000
Income recognized in profit or loss (Note)	(22)
December 31	$ 29,978

Note: Other gains and losses listed.

7. There were no transfers in and/or out of Level 3 in 2019 and 2018.
8. With respect to the valuation of fair value classified as Level 3, the Finance Department is responsible for the independent verification of fair value of financial instruments. Based on independent information, the valuation results can be closer to the market conditions. The independence and reliability of information and the consistency with other sources, as well as other necessary adjustments to the fair value, can ensure that the results are reasonable.
   In addition, the Finance Department develops valuation policies and procedures for fair value of financial instruments and ensure that they comply with the requirements of the International Financial Reporting Standards.
9. The quantitative and sensitivity analysis of significant and unobservable input of valuation models used for measuring Level 3 fair value is shown as follows:

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 28,160	Net asset value method	Not applicable	Not applicable

	Fair value as of December 31, 2018	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 29,978	Net asset value method	Not applicable	Not applicable

10. The Company conducts careful assessment before determining the valuation model and parameters to be used, and the use of different valuation models or parameters may lead to different valuation results.

13. Notes of disclosure

(1) Information about important transactions

1. Loans to others: None
2. Provision of endorsements and guarantees to others: None
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: Not applicable.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposition of real estate properties amounting to more than NT$300 million or 20% of paid up capital: Not applicable.

7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Attached table 2.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.
9. Engaged in derivatives trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Attached table 3.

(2) Information regarding investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Attached table 4.

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

1. Basic information: Please see Attached table 5.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

14. Segment information

Based on IAS 8 and is also disclosed in the consolidated financial report.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

January 1 to December 31, 2019

Attached table 1

Unit: NTD thousand

(Except where otherwise stated)

Holding company	Type and name of marketable securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending: Quantity	At ending: Book value (Note 2)	At ending: Shareholding percentage	At ending: Fair value	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Ordinary shares China Development Biomedical Venture Capital (limited company)	None	Financial assets measured with fair value through income Assets	3,000,000	$ 28,160	1.71%	$ 28,160	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 9, “Financial Instruments”.
Note 2: Book value is determined based on fair value less accumulated impairment for marketable securities measured at fair value. For those not measured at fair value, the book value is determined based on the acquisition cost or amortized cost less accumulated impairment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Purchase from or sale to related parties for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2019

Attached table 2

Unit: NTD thousand

(Except where otherwise stated)

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balances	Percentage of total notes/accounts receivable (payable)	Note
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	Sale	$ 509,899	45%	Collection period is 60 to 90 days after delivery.	The agreed amount of the two parties	-	$ 73,369	50%	None

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Significant inter-company transactions during the reporting periods

January 1 to December 31, 2019

Attached table 3

Unit: NTD thousand

(Except where otherwise stated)

Code (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Transactions				
				Item		Amount	Terms and conditions	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Sales revenue	$	509,899	Note 4	44%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Accounts receivable		73,369	Note 4	2%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

(1) Fill in "0" for parent company.

(2) Subsidiaries are numbered from number 1.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).

(1) Parent company vs. subsidiaries.

(2) Subsidiaries vs. parent company.

(3) Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: The payment period for sales to related parties is 60 to 90 days after shipment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Names, locations and other information of investee companies (not including investees in China)

January 1 to December 31, 2019

Attached table 4

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit / loss of the investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Ratio	Book value			
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	PHARMAPORTS, LLC	U.S.	Trading of API drugs	$ 4,925	$ 4,925	-	98.00%	$ 11,345	$ 6,033	$ 5,913	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	CCSB HOLDING CO., LTD.	Cayman Islands	Engaged in shareholding and reinvestment	17,940	17,940	600,000	100.00%	16,700	(1,290)	(1,290)	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	China Chemical & Pharmaceutical Co., Ltd.	Taiwan	Manufacturing and sales of pharmaceuticals and health care products and import of the related medical equipment.	463,641	324,593	25,294,137	8.49%	478,894	473,456	28,221	Affiliate business

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Information on investments in China - Basic information

January 1 to December 31, 2019

Attached table 5

Unit: NTD thousand

Names of investees in China	Principal business	Paid-up Capital	Investment method (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Current period profit / loss of the investee	The Company's directly or indirectly invested shareholding	Investment income (loss) recognized for the year (Note 2 (2) B)	Book value of investment at ending	The investment income received the end of the current period	Remarks
					Outward remittance	Recover							
CCSB Suzhou	Trading of raw chemical materials and agency and consultation patents and technologies	$ 14,827	(2)	$ 14,827	$ -	$ -	$ 14,827	($ 1,023)	100.00%	($ 1,023)	$ -	$ 23,069	Note 4

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEAIC
CCSB Suzhou	$ 14,827	$ 14,827	$ 1,209,079

Note 1: There are three types of investments labeled by the respective number:

(1) Direct investment in Mainland China.

(2) Investment in China through an existing company established in a third region (please specify the company): Investment in China through CCSB Holding Co., Ltd.

(3) Other ways.

Note 2: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out.

A. Financial statements audited by an international accounting firm which cooperates with China Accounting Firm.

B. Financial statements audited by the CPAs who audit the parent company in Taiwan.

C. Others: The investment gain or loss recognized in the financial report of the same period that have not been verified by the certified accountant.

Note 3: All amounts are expressed in New Taiwan dollars.

Note 4: Chunghwa Chemical Synthesis & Biotech Co., Ltd. (Suzhou) obtained Clearance Certificate with the consent of the State Taxation Administration on November 6th, 2019, and clearance procedures are currently underway.

VI. Financial difficulties and their impact on the financial status of the Company and its affiliates for the most recent year and the latest annual report: None.

Seven. Review of financial status, business performance, and risk management issues

I. Financial status:

Comparison of financial status

Unit: NTD thousand

Year / Item	2019/12/31	2018/12/31	Difference		Remarks
			Increase (decrease)	Change in percentage (%)	
Current assets	687,581	613,794	73,787	12.02	
Financial assets that are measured at fair value through profit or loss-non-current	28,160	29,978	(1,818)	(6.06)	
Investments accounted for by the equity method	478,894	325,381	153,513	47.18	Note 1
property , plant, and equipment	2,180,308	2,195,594	(15,286)	(0.70)	
Right-of-use assets	5,418	—	5,418	—	
Real property for investment- net	10,700	10,700	—	—	
Intangible assets	1,250	2,193	(943)	(43.00)	Note 2
Deferred income tax assets	19,075	20,511	(1,436)	(7.00)	
Other current non-assets	27,461	23,267	4,194	18.03	
Total assets	3,438,847	3,221,418	217,429	6.75	
Current liabilities	576,422	425,690	150,732	35.41	Note 3
Non-current liabilities	847,293	811,825	35,468	4.37	
Total liabilities	1,423,715	1,237,515	186,200	15.05	
Attributable to owners of the parent company	2,014,900	1,983,657	31,243	1.58	
Share capital	775,600	775,600	—	—	
Capital reserve	334,323	334,323	—	—	
Retained earnings	898,946	873,169	25,777	2.95	
Other equity	6,031	565	5,466	967.43	Note 4
Treasury stock	—	—	—	—	
non-controlling interests	232	246	(14)	(5.69)	
Total equity	2,015,132	1,983,903	31,229	1.57	

Description on changes exceeding 20%

Note 1: The increase in investment using the equity method due primarily to the continuous investment in China Chemical and Pharmaceutical stocks during the period.

Note 2: The decrease of intangible assets was mainly due to the transfer of software assets in the current period to various amortizations.

Note 3: The increase in current liabilities due primarily to the increase in short-term bills payable and advance receipts in this period.

Note 4: The increase in other equity due primarily to the increase in "Unrealized Benefits of Equity Instruments Measured by Fair Value-China Chemical and Pharmaceutical" in the current period.

II. Financial Performance:

(I) Comparative analysis of financial performance

Unit: NTD thousand

Item \ Year	2019	2018	Increase (decrease)	Variation (%)	Remarks
Operating revenues	1,156,642	1,019,452	137,190	13.46	
Operating cost	688,013	667,942	20,071	3.00	
Operating gross profit	468,629	351,510	117,119	33.32	Note 1
Operating expenses	347,521	320,534	26,987	8.42	
Operating profit	121,108	30,976	90,132	290.97	Note 1
Non-operating revenues and expenses	22,635	209,270	(186,635)	(89.18)	Note 2
Earnings before tax	143,743	240,246	(96,503)	(40.17)	Note 2
Income tax expense	26,619	5,958	20,661	346.78	Note 3
Current period net profit	117,124	234,288	(117,164)	(50.01)	Note 2
Other comprehensive income for the period (net)	7,303	(32,585)	39,888	122.41	Note 4
Total comprehensive income for the period	124,427	201,703	(77,276)	(38.31)	Note 2
Net income attributable to owners of the parent company	117,003	234,251	(117,248)	(50.05)	Note 2
Net income attributable to non-controlling interests	121	37	84	227.03	Note 5
Total comprehensive income attributable to owners of the parent company	124,315	201,666	(77,351)	(38.36)	Note 2
Total comprehensive income attributable to non-controlling interests	112	37	75	202.70	Note 5

Description on changes exceeding 20%

Note 1: The increase in gross operating profit and operating profit due primarily to the increase in the proportion of revenue from sales of products with high gross profit margin in the current period.

Note 2: Decrease in non-operating income and expenses, pre-tax net profit, current net profit, total current comprehensive profit and loss, net profit attributable to the parent company owner, total profit and loss attributable to the parent company owner, due primarily to the disposal of real estate, plant and equipment benefits.

Note 3: Increase in income tax expense due primarily to the increase in operating profit in the current period.

Note 4: Increase in other comprehensive profit and loss (net) in the current period, due primarily to the investment in the shares of China Chemical and Pharmaceutical Co., Ltd. which was classified as “financial asset measured at fair value through other comprehensive profit and loss” from the previous period.

Note 5: Net profit attributable to non-controlling interests, total consolidated profit or loss is attributable to the increase in non-controlling interests: mainly due to the increase in profit for subsidiaries in the period compared to the same period of last year.

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

III. Cash flow:

(I) Cash flow analysis of the most recent year:

Item Year	2019	2018	Percentage increase / decrease (%)
Cash flow ratio (%)	46.51	55.12	-15.62
Cash flow adequacy ratio (%)	61.72	44.11	39.92
Cash flow reinvestment ratio (%)	4.64	4.60	0.87
Analysis of percentage increase / decrease: 1. Decrease in cash flow ratio, due primarily to the increase in current liabilities in the current period. 2. Increase in cash flow ratio and cash reinvestment ratio: the increase in net cash inflows from operating activities during the period.			

(II) Plans to improve liquidity: Not applicable.

(III) Liquidity analysis for the next year

Unit: NTD thousand

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
101,220	1,192,504	1,167,006	126,718	—	—
1. Cash flow analysis for the coming year: (1)Business activities, due primarily to the continued development of the American and Asian markets, actively recovering overdue accounts and reducing sluggish inventory, resulting in net cash inflows from operating activities. (2)In terms of investment activities, they are mainly due to the capital expenditures for bio-fermentation equipment purchase. (3)Financing activities, due primarily to the payment of cash dividends, employee (director) remuneration and the use of bank loan quotas. 2. Responsive measures and liquidity analysis on cash flow deficits: Not applicable.					

IV. Material capital expenditures in the latest year and impacts on business performance: None.

V. The major causes for profits or losses incurred by investments during the latest year; rectifications and investment plans for the next year:

Unit: NTD thousand

Description / Item	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.	463,641	The company will do strategic investment, effective use of company funds, improve the company's capital gains	28,221	CCPC is a downstream medicine preparation plant, and its business operations in recent years is quite stable, being profitable every year.	None	None
PHARMAPORTS,LLC	4,925	Contacting office for the US FDA regulations and the US regional marketing office	5,913	In good operating status.	None	None
CCSB HOLDING CO.,LTD (Note 1)	17,940	Holding and reinvestment	(1,290)	Recognition of the loss in reinvestment.	None	None
Suzhou Chunghwa Biotech Trading Co., Ltd. (Note 2)	14,827	Reinvestment	(1,023)	Re-measurement based on functional currency; the exchange losses generated in the current period.	None	None
China Development Biomedical Venture Capital (limited company) (Note 3)	30,000	Earning capital	-	-	None	None

Note 1: Reinvestment in CCPC Suzhou.
Note 2: Suzhou China Chemical Synthetic Biotechnology Co., Ltd. received liquidation certificate from the taxation authority on November 6, 2019 and is currently during the liquidation process.
Note 3: Valuation adjustment for Fair value through profit or loss financial assets so there is no need to recognize investment gains and losses.

VI. Risk matter items that occurred in the most recent fiscal year as of the printing date of this annual report should analyzed and evaluated:

(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	2018 (NTD thousand; %)	2019 (NTD thousand; %)
Net interest income and expense	(10,623)	(9,809)
Net exchange gains and losses	2,996	(1,687)
Net interest income and expense as a percentage of net operating income	(1.04)	(0.85)
Net exchange gains and losses as a percentage of net operating income	0.29	(0.15)
Net interest income and expense as a percentage of pre-tax net income	(4.42)	(6.82)
Net exchange gains and losses as a percentage of pre-tax net income	1.25	(1.17)

1. Changes in interest rates: Our interest rate risks mainly come from bank borrowings for operations and investment activities. The net interest expenses for 2018 and 2019 were NTD 10,623,000 and 9,809,000, 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 rate: Up to 80% of the Company's revenue comes from export. Therefore, significant changes in the exchange rate would be detrimental to the Company and might adversely affect the Company's financial position. The Company's

exchange gains and losses for 2018 and 2019 amounted to NT$2.996 million (NT$1.687 million), respectively. In order to minimize the adverse impact of exchange rate changes upon operations, the Company primarily pays U.S. dollar liabilities with U.S. dollar assets, reducing the impact of exchange rate risk upon the Company's 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. In the latest fiscal year and as of the publication date of the annual report, the Company had not got funds loaned to others, engaged in endorsement guarantees and transaction in derivative financial instruments. Furthermore, the Company had duly enacted “Handling Procedures for Loaning of Funds to Others” and “Procedures for Making of Endorsements/Guarantees” as well as ““Procedures to Engage in Transaction and Disposal of Derivatives” which function as sound basis for business implementation thereafter so as to firmly assure the maximum possible benefits of the Company.

(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:

1. 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.
2. Analysis of the assessment of Information Security Risk:

The Company has established a computerized information system, management procedures to implement internal control and information security policies.

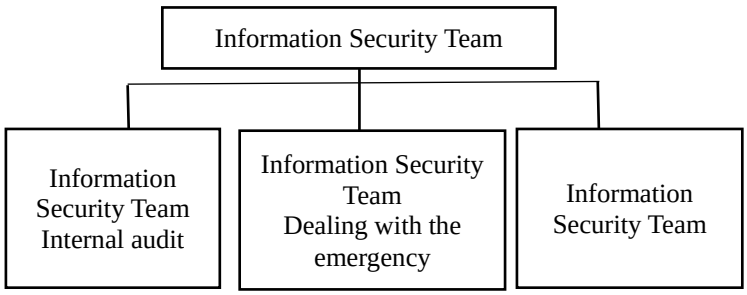
Ensure its appropriateness and effectiveness through annual internal inspections and external assessments of its safety regulations and procedures. The company will explain the details in the following sub-items:

(1) Information Security Policy

A. Regularly implement information security education and training, promote information security policies and related implementation regulations, promote employee awareness of information security and strengthen their awareness of related responsibilities.
B. Implement an internal audit system for information security to ensure the implementation of information security management.
C. Protect the company's business activities, avoid unauthorized modifications, ensure its correct integrity, protect the company's data, systems, equipment and network communications security, and prevent external invasion and destruction.
D. Protect the company's business activities, avoid unauthorized access, system information account access rights and system changes, all must be controlled by rights.
E. Protect the integrity of the company's data and implement the destruction procedures. The computer storage media that have been scrapped should be destroyed to avoid accidental exposure.
F. The company will monitor the security status and activity records of the information system to effectively grasp and deal with information security incidents.
G. The execution of the company's business activities must comply with the requirements of relevant laws or regulations.

At present, the company's information security maintenance measures are complete, and the consideration of security insurance is still an emerging insurance, and it involves supporting the grading of security and claims, so it is still evaluating the stage of future applicability.

(2) Security Network Architecture



The company set up an information security team under the Information Technology Department and the organization chart is as the above picture. The internal audit and external audit are carried out regularly by the auditing office and the accounting firm every year. In February, the auditing office performed the internal audit of the safety inspection and control operations, and issued an internal audit report, which was reported to the audit committee and the board of directors. The external audit of the "Information System Environmental Auditing" was carried out by PWC Certified Public Accountant Firm in October 2019. The server host used by the system is located in the internal virtual network. The internal host is protected by a firewall. The external network is isolated and cannot be directly accessed. It has adopted multiple network security defense systems. The firewall and intrusion detection at the front end of the network. Test system and anti-virus

are used as the basis for enterprise security protection. It can also strengthen the detection of malicious programs for traffic, web pages and emails. Through the correlation analysis of different security mechanisms, it can play the role of defense in depth and immediately block the latest malware, harmful website links, defense against external network attacks, mail content security control system is responsible for filtering the contents of incoming and outgoing links, and can further block files with zero-day malware, APT attack tools, and vulnerabilities. Attack files... threats such as threatening emails, spam emails, etc. The internal host and endpoints of the company are deployed by the central control unit to provide anti-virus software, which can update the virus code and instantly identify malicious behaviors. It can instantly intercept virus Trojan worms, ransomware, malicious files in folders, etc. The risk of damage from the hacker attack could be effectively reduced.

(3) System account and permission management

The computerized system of the company should have sufficient authority to prevent unauthorized intrusion or unauthorized changes to the data. The content includes information security rights, information access rights and information access control. The company will determine the degree of security control, according to the importance of the computerized system. The scope of business and the rights and responsibilities are set by the user's account and authority. The access to the data must be applied and approved by the competent authority. Retired personnel (including those who remain in office) should immediately lock, stop or remove accounts and permissions in accordance with the procedures to prevent unauthorized use.

(4) Data access records should be audited and kept properly.

In order to ensure the integrity of the data, the computerized system should be able to record the transaction history, that is, any data change/deletion, who should perform it, record the track record of the system file access, and historical data such as incoming and outgoing mail, archive and save. Computers of the company that have completed the retirement process perform hard disk disassembly and destruction to comply with the regulatory system and the security policy.

(5) Information system continues to operate

The company ensures its data, systems, equipment and network communications security, establishes data/backup methods and backup operating standards, the system and documents are taken daily, weekly and quarterly local backup, daily, weekly, quarterly backup. The data is transmitted to a different machine or stored in a different place as a remote location, and the machine is backed up. The simulation tests and emergency response of the computer room are strengthened to ensure the normal operation and data preservation of the information system, and the system data recovery test drill is performed regularly every year. With the proper operation and data preservation of the maintenance information system, the risk of data loss caused by unwarranted natural disasters and artificiality disaster disasters can be reduced. The IT Disaster Recovery (ITDR) drill test was conducted in July of the 2019.

The company will check its safety regulations and procedures through internal inspection and external evaluation. The Information Technology Department can implement the company's prescribed procedures in accordance with the operation procedures to ensure the integrity and safety of the company's data. The risk assessment results are still good. The company's recent and final year reports are printed. During the day, no major cyberattacks or incidents were discovered, which have or may have a material adverse effect on the company's business and

operations, and have not been involved in any legal affairs or regulatory investigations related to this, and technology has changed the company's information security and no significant adverse effects and no significant operational risks.

(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:

We have not expected from plant expansion as of the most recent year and the date of the publication of annual report, thus the condition does not apply.

(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.

Concentration of purchases may result in a risk of material shortage. The shortage of materials may be attributed to the supplier's product distribution problem, insufficient factory capacity, production accidents, or failure to pass the official agency check procedures, resulting in a shortage of materials. The company has established a qualified supplier auditing mechanism to certify more than two alternative qualified suppliers. In the event of an out of stock emergency, the supplier will be increased by the alternative qualified supplier.

In 2018 and 2019, the company's major suppliers accounted for more than 25% of the total purchases. Since the main raw material supply source is stable and passed the FDA inspection, the price is also superior to other suppliers, and the company built with the analysis and inspection mechanism of qualified raw materials suppliers, it is possible to gradually develop the suppliers that comply with the US FDA's drug certification regulations. In addition to keeping track of the raw material costs, it can also effectively reduce the risk of incoming goods. In 2018 and 2019, the company's main clients are foreign pharmaceutical manufacturers that have cooperated with us for a long time. They are all global top-ranking university pharmaceutical companies that meet the requirements of the US FDA and European and Japanese pharmaceutical authorities. In addition to the company's key technologies, the company continues to carry out manufacturing process optimization, capacity enhancement and cost improvement measures to ensure product competitive advantages, plus the excellent official inspection records accumulated over the years, so deeply trusted by customers, the materials sold by the company to foreign pharmaceutical plants are not easily replaced. 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, 2019. 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: Noe.

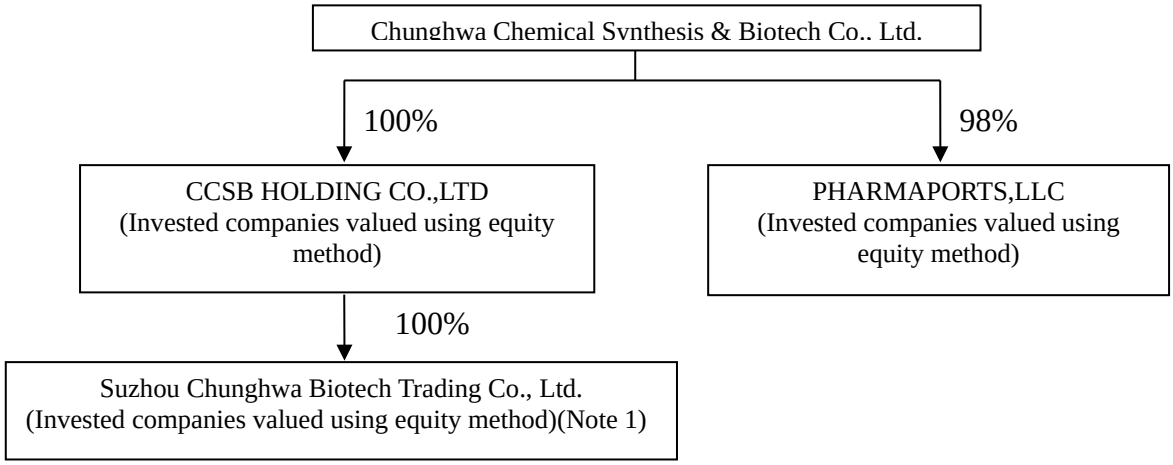
VII. Other important disclosures: none.

Eight. Special remarks

I. Affiliated companies:

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

1. Related Enterprise Chart:



2. Basic information of affiliated enterprises:

Name of enterprise	Date of foundation	Address	Paid-up Capital (Unit: thousand dollars)	Main business activities or products
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
Suzhou Chunghwa Biotech Trading Co., Ltd. (Note 1)	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
PHARMAPORTS,LLC	Sales of API drugs
CCSB HOLDING CO.,LTD	Engaged in shareholding and reinvestment.
Suzhou Chunghwa Biotech Trading Co., Ltd. (Note 1)	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, 2019 Unit: shares; %

Name of enterprise	Title	Name or the representative person	Shares held	
			Quantity	Shareholding percentage
PHARMAPORTS,LLC	Chairman	Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Chung-Hsin Huang	–	98
CCSB HOLDING CO.,LTD	Director	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	600,000	100
Suzhou Chunghwa Biotech Trading Co., Ltd. (Note 1)	Executive director	Chung-Hsin Huang	—	—
	Supervisors	Hsiu-Fen Lin	—	—

6. Overview of the business operations of each affiliate

Unit: thousand dollars
(NTD for all amounts without specified currency)

Name of enterprise	Share capital	Total assets	Total liabilities	Net value	Operating revenues	Operating profit (losses)	Net income (After income tax)	Earnings per share (NT$)(After income tax)
PHARMAPORTS,LLC	6,746 (USD225)	162,056	150,480	11,576	531,334	7,662	6,033	—
CCSB HOLDING CO.,LTD	17,988 (USD600)	16,700	—	16,700	—	—	(1,290)	(2.15)
Suzhou Chunghwa Biotech Trading Co., Ltd. (Note 1)	14,990 (USD500)	15,193	—	15,193	—	(416)	(1,023)	—

Note 1: Suzhou China Chemical Synthetic Biotechnology Co., Ltd. received liquidation certificate from the taxation authority on November 6, 2019 and is currently during the liquidation process.

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

Declaration

In 2019 (from January 1, 2019 to December 31, 2019), 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.

Chairman: Hsun-Sheng Wang

March 26, 2020

II. Private placement of securities during the latest year up till the publication date of this annual report: None.
III. The disposal of the Company’s shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.
IV. Other necessary supplementary information: None.

Nine. Occurrences of events defined under Article 36-3-2 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairman, Hsun-Sheng Wang