

TTY BIOPHARM COMPANY LIMITED
2017 Annual General Shareholders' Meeting Minutes
(Translation)

Time: June 16, 2017 (Friday) at 9:00 am

Location: Room 447, Nangang Software Incubator
(Building E, 4th Floor, No.19-11, Sanchong Rd., Nangang Dist., Taipei City, Taiwan)

Total outstanding TTY shares: 248,649,959 shares

Total shares represented by shareholder present in person or by proxy: 202,711,650 shares

Percentage of shares held by shareholder present in person or by proxy: 81.52%

Director Present: Hsiao, Ying-Chun; Chang, Wen-Hwa; Yang, Tze-Kaing; Tseng, Tien-Szu; Liao, Ying-Ying; Tsai, Duei (Independent Director); Hsueh, Ming-Ling (Independent Director); Lin, Tien-Fu (Independent Director)

Attendance: Tzeng, Kwo-Yang, CPA of KPMG

Chairperson: Hsiao, Ying-Chun, Chairman

Recorder: Huang, Ching-Yi

Meeting procedures

I. Report the total number of shares represented at this AGM

The aggregate shareholding of the shareholder present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Meeting Commencement Announced

III. Chairman's Address (omitted)

IV. Report Items

1. 2016 Business Report (See Attachment 1)
2. Audit Committee's Review Report on the 2016 Financial Statements (See Attachment 2)
3. Report on Employee, Directors and Supervisors Remuneration in 2016 (See Meeting Handbook)
4. Report on establishment of "Ethical Corporate Management Best Practice Principles" (See Meeting Handbook)
5. Report on Investments in China (See Meeting Handbook)

V. Ratification Items

Item One: (Proposed by the Board of Directors.)
2016 Business Report and Financial Statements

Description:

1. The Company's 2016 Business Report and Financial Statements have been approved by the Board of Directors and reviewed by Audit Committee.

2. The Company's 2016 Financial Statements have been audited by KPMG Taiwan with the auditing opinion "Modified Unqualified Opinion"
3. Please refer to the Attachment 1 and Attachment 3 for 2016 Business Report and Financial Statements.

VOTING RESULTS: a total of 201,639,817 voting rights were represented by the presence of shareholders at the time of voting; therein 189,359,522 in favor (incl. 80,342,072 voting rights cast by electronic method), 1,518 against (incl. 1,518 voting rights cast by electronic method), 0 invalid votes and 12,278,777 abstention votes/ no votes (incl. 11,478,476 voting rights cast by electronic method).

RESOLVED, 93.90% of total represented voting rights present were in favor and this proposal was approved as proposed.

Item Two: (Proposed by the Board of Directors)

2016 Profit Distribution

Description:

1. Allocation of cash dividend proposed by the Board is a total of NT\$944,869,844 or NT\$3.8 per share based on the number of shares recorded in the Register of Shareholders on the ex-dividend date. All cash dividends are rounded down to the nearest dollar after discount any cents. The remaining amount will be treated as the other revenue of the Company. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors shall be authorized to resolve the ex-dividend date, payment date and other relevant issues.

2. Please refer to the Attachment 4 for Distribution of 2016 Profits Table

VOTING RESULTS: a total of 201,639,817 voting rights were represented by the presence of shareholders at the time of voting; therein 194,366,898 in favor (incl. 85,349,448 voting rights cast by electronic method), 1,518 against (incl. 1,518 voting rights cast by electronic method), 0 invalid votes and 7,271,401 abstention votes/ no votes (incl. 6,471,100 voting rights cast by electronic method).

RESOLVED, 96.39% of total represented voting rights present were in favor and this proposal was approved as proposed.

VI. Discussion Items

Item One: (Proposed by the Board of Directors.)

Amendment to "Articles of Incorporation"

Description:

1. The "Articles of Incorporation" is proposed to amend in accordance with relevant laws and actual operating needs.
2. Please refer to the Attachment 5 for Articles of Incorporation Amendment Comparison Table.

VOTING RESULTS: a total of 201,639,817 voting rights were represented by the presence of shareholders at the time of voting; therein 194,366,765 in favor (incl. 85,349,315 voting rights cast by electronic method), 1,651 against (incl. 1,651 voting rights cast by electronic method), 0 invalid votes and 7,271,401 abstention votes/ no votes (incl. 6,471,100 voting rights cast by electronic method).

RESOLVED, 96.39% of total represented voting rights present were in favor and this

proposal was approved as proposed.

Item Two:

(Proposed by the Board of

Directors.)

Amendment to “Procedures for Acquisition or Disposal of Assets”

Description:

1. The “Procedures for Acquisition or Disposal of Assets” is proposed to amend in accordance with actual operations and pursuant to Ordinances No. 1060001296 and 1060004523 issued by the Financial Supervisory Commission on February 9, 2017 and February 13, 2017, respectively.
2. Please refer to the Attachment 6 for Procedures for Acquisition or Disposal of Assets Amendment Comparison Table.

VOTING RESULTS: a total of 201,639,817 voting rights were represented by the presence of shareholders at the time of voting; therein 194,366,765 in favor (incl. 85,349,315 voting rights cast by electronic method), 1,651 against (incl. 1,651 voting rights cast by electronic method), 0 invalid votes and 7,271,401 abstention votes/ no votes (incl. 6,471,100 voting rights cast by electronic method).

RESOLVED, 96.39% of total represented voting rights present were in favor and this proposal was approved as proposed.

Item Three:

(Proposed by the Board of Directors.)

Release of non-competition restrictions for Directors

Description:

1. According to Article 209, Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. The newly added concurrent positions of directors and representatives of this company shall be defined as follows:

| Title | Name | Newly added concurrent positions at other companies |
|----------------------|------------------|--|
| Chairman | HSIAO, YING-CHUN | Director of EnhanX Inc. |
| Director | YANG, TZE-KAING | Director of Taiwan Stock Exchange Corporation Director of ASUSTeK Computer Inc. |
| Director | CHANG, HSIU-CHI | Director of Xudong Haipu International Co., Ltd. Director of Worldco International Co., Ltd. Director of Worldco Biotech Pharmaceutical Ltd. |
| Director | TSENG, TIEN-SZU | Chairman of Ailiya International Co. |
| Independent Director | HSUEH, MING-LING | Independent Director of Yuanta Commercial Bank |
| Independent Director | LIN, TIEN-FU | Independent Director of Ta Chong Securities Co., Ltd. |

VOTING RESULTS: a total of 201,639,817 voting rights were represented by the presence of shareholders at the time of voting; therein 173,742,561 in favor (incl. 64,725,111 voting

rights cast by electronic method), 3,596,856 against (incl. 3,596,856 voting rights cast by electronic method), 0 invalid votes and 24,300,400 abstention votes/ no votes (incl. 23,500,099 voting rights cast by electronic method).

RESOLVED, 86.16% of total represented voting rights present were in favor and this proposal was approved as proposed.

VII. Extraordinary Motions: None

VIII. Adjournment: The Chairman announced the meeting adjourned at 9:25 am on June 16, 2017

Attachment 1

TTY BIOPHARM COMPANY LIMITED

Business Report

1. The Company's Business Result for 2016

(1) Business Plan Implementation Result

The Company's consolidated net business revenue for 2016 reached NTD3,760,717,000, which constitutes an increase by NTD565,499,000 (17.70%) compared to the revenue of NTD3,195,218,000 for 2015. This increase has been mainly caused by higher OEM revenues and increased anti-infective medicine sales for 2016. Net profit attributed to the parent company for 2016 totaled NTD1,193,324,000 which constitutes a decrease by NTD17,694 (1.46%) compared to the net profits of NTD1,211,018,000 in 2015. This decrease has been mainly caused by the fact that despite the increase of business revenues to NTD 389,900,000 in 2016, no profits from asset disposal were recorded as opposed to 2015.

(2) Budget Implementation Status

The Company's net business revenue for 2016 is NTD 3,344,262,000, achieving 101.87% of the annual budget target. Pre-tax net profit is NTD 1,432,037,000, achieving 111.79% of the annual budget target.

(3) Income & Expenditure and Profitability Analysis

| Item | | Year | 2016 | 2015 |
|------------------------|--------------------------------|------|--------|--------|
| | | | | |
| Income & Expenditure | Interest Income (in 000s) | | 2,508 | 2,767 |
| | Interest Expenditure (in 000s) | | 25,362 | 25,467 |
| Profitability Analysis | Return on Assets % | | 14.29 | 16.12 |
| | Return on Equity % | | 22.77 | 26.05 |
| | Net Profit Margin % | | 35.68 | 44.21 |
| | Earnings Per Share (NTD) | | 4.80 | 4.87 |

(4) Research & Development Status

In continuation of the R&D strategy of past years, the Company constantly refines its liposome technologies and long-lasting extended-release injection technologies, develops new ingredients and medications, and explores new application areas for currently available products with the goal of benefiting a greater number of patients and generating more value for shareholders.

Our constant efforts over the past years have generated excellent results in 2016. The Company has developed overseas markets for two liposome products in cooperation with a major international manufacturer, introducing the Company's liposome products to international target demographics.

Looking ahead, the Company will continue to develop forward-looking and innovative technologies to consolidate its core competitiveness and leadership position.

2. Business Plan Summary for This Year(2017)

(1) Operation Policy

Ever since its founding, TTY has experienced several critical strategic leaps and successfully transformed itself into a “new drug development oriented innovative international biopharma company” for the purpose of creating excellence and ever-lasting business. In addition to the in-depth exploration of Taiwan market, China and major countries in Asia in order to obtain stable growth for domestic and offshore businesses, we also continue to evaluate emerging markets across the world. TTY explores its self-developed product revenue and brand efficiency through regular chain or collaboration with strategic partners. TTY is also closely connected with international expert social media groups and provides treatment solutions with the best drug economic values. TTY is dedicated to becoming a leading international biopharma company specialized in developing special preparation and biotechnological drugs, marketing and manufacturing.

(2) Quantity and Basis for Projected Sales

In 2016, the Company is expected to sell 379,000,000 tablets of oral preparation and 5,200,000 doses of injection. The Company's projected sales volume has been established in accordance with IMS statistic report and under considerations of possible changes in market supply and demand going forward, new product development speed as well as national health insurance policy.

(3) Critical Production and Marketing Policies

For the upcoming year, TTY shall continue its strategy and goal from last year, and shall utilize its previous achievements as a basis during its relentless dedication to self-challenge while marching towards its next milestone:

With respect to “marketing strategy,” we shall continue to evaluate major countries in Asia as well as global emerging markets in addition to our in-depth exploration of Taiwan market. Exploration of TTY product revenue and brand efficiency will be conducted through management of regular chain and strategic partner collaboration. As for “Research & Development Strategy,” we shall continue to enhance the development of specialty pharma platform. In the meantime, we shall balance our needs for short/medium/long term R&D and be engaged in aggressive and cautious search for and assessment of development targets in a bid to enhance product assortments for respective business divisions in the Company. With respect to “Production Strategy,” we shall continue to establish and maintain drug manufacturing bases meeting international quality requirements and enhance production capacity planning which comes with flexibility and economies of scale for the purpose of ensuring our cost advantages.

3. The Company’s Future Development Strategy

Corporate Vision: “Enhance Human Life Quality with Technology”

Corporate Mission: “Commitment to development and manufacturing of specialty pharma (patented or high market-entrance obstacle), biological products and new drugs; Enhancement of TTY product assortments; Continuous enhancement of high market-entrance obstacle drug development platform as well as uninterrupted extension of utilization efficiency over such platform,” “Specialized in the in-depth exploration and international development over manufacturing and R&D for anti-cancer, critical illness anti-infection and specialty pharma,” “Becoming one of the most innovative biopharma company in the world as well as the best collaborating partner for international biotechnology company in drug development and international market promotion.”

For future development, each year TTY shall, in addition to exploiting maximum efficiency over current R&D achievements, continue to explore 3 international markets and aggressively look for international collaboration opportunities, and achieve its development goals through the following critical strategies:

- (1) Balanced evaluations over early/middle/final phase drug development targets for the purpose of enhancing product assortments(specialty pharma, biopharma, new drug) and meeting this organization’s short/long term operation goals;
- (2) Collaboration with international cooperation partners in order to speed up development

for new drugs which come with unsatisfied medical needs, high market-entrance obstacle (technology, manufacturing) and high drug economic values;

- (3) Concentrate in an ongoing basis on the implementation of “localized” business activities and life cycle management “best suited for local community” in respective target markets;
- (4) Development of specialty pharma through competitive self-owned and joint developments for the purpose of creating stable operation patterns for Contract Development and Manufacturing Organization (CDMO) and adding values to TTY international business development;
- (5) Establishment, renewal and maintenance of drug manufacturing bases which meet with international quality requirements;
- (6) Utilization of critical strategic activities of mergers and acquisitions, strategic alliance or joint venture to complete integration of value chain which starts from R&D to manufacturing;
- (7) Continued implementation of production process improvement and enhancement of production capacity planning (capable of supplying international mass production demand) which comes with flexibility and economies of scale for the purpose of ensuring cost advantage;
- (8) Rapid acquisition and cultivation of local talents with “entrepreneurial spirit” and continued enhancement over product development talents possessing balanced developments in the fields of “science, regulation, business management;”
- (9) Product development supported by current sales revenue in Taiwan;
- (10) Amortization of factory operation costs through international characteristic drug OEM/joint development revenue;
- (11) Introduction of R&D result into in global market and completion of offshore authorization; Combination of product and R&D revenue for the purpose of investing the future while creating positive business cycle;
- (12) Concentration on global biotechnology investment targets to maximize group profits.

4. Impacts from External Competition Environment, Regulatory Environment and Macro-Economic Environment

With the increasing stringent regulations in recent years, production costs after the implementation of PIC/S continues to increase exponentially. Meanwhile, health insurance drug payment prices have experienced numerous price adjustments which lead to imbalance between input and output as well squeeze on drug manufacturers’ revenue and profits.

Additionally, Ministry of Health and Welfare intends to implement “Balance Billing Plan” in the future. This plan offers people an option of brand drug by paying differences over health insurance price. Although this is Ministry of Health and Welfare’s goodwill to take care of people’s rights on drugs, it is likely that this will lead to people’s myth on taking drugs and cause harm to domestic pharma industry if appropriate supporting measures are not stipulated accordingly.

With respect to industry development, China, India and even countries across Southeast Asia have all been engaged in generic drug industry and price competition has therefore become even fiercer. Furthermore, scales of drug manufacturers as well as market in Taiwan are small. Difficulty for industry development will surely be incurred in the event of cut-throat competition among companies with the same nature. Drug price competition result will lead to difficulty in the development of Taiwan pharma market.

All of TTY’s cancer product dosage forms and production processes meet with Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme Good Manufacturing Practice (PIC/S GMP) regulations, and currently there are numerous drug applications being submitted in accordance with laws and regulations. All these have helped TTY’s drugs maintain their competitiveness in domestic market. Furthermore, TTY’s liposome technology platform, long acting slow release injection technology platform, freeze-dry manufacturing process and capsule manufacturing process technologies have become matured. In the meantime, TTY owns drug manufacturing bases which meet with international quality requirements, and PIC/S GMP certifications in numerous countries have already been obtained through official factory inspections in Europe, Japan and U.S. With our preeminent technology and high standard factory equipment, numerous large scale or innovative pharma companies have actively approached TTY for collaboration discussion. TTY will also choose appropriate strategic partners for collaboration in order to enhance our competitiveness in offshore markets.

Chairman of the Board: Hsiao, Ying-Chun

Responsible Management: Hsiao, Ying-Chun

Responsible Accountant: Wang, Shu-Wen

Attachment 2

TTY BIOPHARM COMPANY LIMITED Audit Committee's Review Report on the 2016 Financial Statements

The Board of Directors delivered the 2016 Business Report, Financial Statement (including the consolidated financial statement), and the surplus distribution proposal. The Financial Statement (including the consolidated financial statement) was audited by KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Company's audit committee. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to: 2017 Annual General Shareholders' Meeting of the Company

Hsueh, Ming-Ling

Chairman of the Audit Committee

April 5, 2017



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KPMG

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited :

Opinion

We have audited the consolidated financial statements of TTY Biopharm Company Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the consolidated financial statements are stated as follows:

1. Revenue recognition

Please refer to Notes 4(r) and 6(r) of the financial statements for the accounting principles on the recognition and explanation of revenue.

Key audit matters:

The main activities of the Group are the production and processing of pharmaceutical and chemical drugs. The operating performance of the Group has an effect on the distribution to their shareholders and stock price. Their financial performance will have an impact on the users of financial statements. Therefore, the accuracy and appropriateness of revenue recognition is a key matter when conducting our audit.

Auditing procedures performed:

Our principal audit procedures included: assessing and testing the design, as well as the effectiveness of the operation on the sales and payment collection control, manual control, and system control; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; conducting substantive analytical procedure, reviewing external documents with records on ledger to confirm whether the sales transactions really exist, and the propriety of the timing for the recognition of revenue and cost is accurate; performing comparison analysis on sales of the current period to last period and the last quarter, and performing trend analysis on operating income from each top ten customer to assess the significant exceptions to further identify and analyze the reason, if any; and conducting test of details for sales and collection.

2. Impairment of accounts receivable

Please refer to Notes 4(g), 5(a) and 6(c) of the consolidated financial statements for the accounting principles on the impairment of accounts receivable, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of allowance for impairment with respect to the receivable.

Key audit matters:

The Group judgment in determining the recoverable amounts of individual accounts receivable balances which were overdue is based on historical trend adjusted for certain current factors. Impairment assessment of accounts receivable is one of the key audit matters for our audit, as it requires management to exercise subjective judgment in making assumptions and estimations when calculating the impairment allowances on accounts receivable.

Auditing procedures performed:

Our principal audit procedures included: assessing the default rate, which was calculated by the Group's internal management, and the relevant internal data, and evaluating the reasonableness of parameters and assumption; assessing the assumptions and data used in the calculation for individual accounts receivable; testing the appropriateness and adequacy of provision for doubtful accounts made by the management and the subsequent collection of accounts receivable. Evaluating the adequacy of the disclosures; considering the historical accuracy of the provisions for allowance account, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

3. Inventory valuation

Please refer to Notes 4(h), 5(b) and 6(d) of the consolidated financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Group's revenue and income may be effected by the price fluctuations.

Auditing procedures performed:

Our principal audit procedures included: overviewing the stock ageing list, analyzing the movement of stock ageing by period; ensuring the allowance of inventory is in conformity with the accounting policies; realizing the differences between sales price and market price, and evaluating the reasonableness of net realizable price and the current selling price; overviewing the sales situation on and after the period of slow-moving inventory, testing and verifying the correctness about the allowance that was calculated by the Directors; considering the historical accuracy of the provisions for inventory allowance, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year compared to the previous years; evaluating the adequacy of the disclosures.

Other Matter

We did not audit the financial statements of Pharma Engine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 7.89% and 6.93% of the related consolidated total assets as of December 31, 2016 and 2015, respectively, and the related investment gains represented 8.80% and 4.99% of the consolidated profit before tax for the years ended December 31, 2016 and 2015, respectively.

We also audited the financial statements of TTY Biopharm Company Limited as of and for the years ended December 31, 2016 and 2015 and have issued an unqualified and a modified unqualified audit report, respectively, thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2017

Notes to Readers

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

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

| | | 2016 | | 2015 | |
|------|--|---------------------|-----------|------------------|-----------|
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (note 6(r) and 7) | \$ 3,760,717 | 100 | 3,195,218 | 100 |
| 5000 | Cost of sales (note 6(d) and 7) | 1,203,773 | 32 | 1,006,869 | 32 |
| | Gross profit | 2,556,944 | 68 | 2,188,349 | 68 |
| 5910 | Less: Unrealized profit (loss) from sales | 4,132 | - | 6,408 | - |
| 5920 | Add: Realized (profit) loss on from sales | 6,408 | - | 1,203 | - |
| | Gross profit, net | 2,559,220 | 68 | 2,183,144 | 68 |
| 6000 | Operating expenses (note 7): | | | | |
| 6100 | Selling expenses | 726,935 | 19 | 771,557 | 24 |
| 6200 | General and administrative expenses | 310,913 | 8 | 281,511 | 9 |
| 6300 | Research and development expenses | 341,685 | 9 | 340,289 | 11 |
| | | 1,379,533 | 36 | 1,393,357 | 44 |
| | Net operating income | 1,179,687 | 32 | 789,787 | 24 |
| | Non-operating income and expenses (note 6(t) and 7): | | | | |
| 7010 | Other income | 26,310 | 1 | 21,403 | 1 |
| 7020 | Other gains and losses, net | 168,648 | 4 | 740,151 | 23 |
| 7050 | Finance costs, net | (22,979) | (1) | (25,362) | (1) |
| 7070 | Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(f)) | 160,393 | 4 | (384) | - |
| | | 332,372 | 8 | 735,808 | 23 |
| | Profit before tax | 1,512,059 | 40 | 1,525,595 | 47 |
| 7950 | Less: Income tax expense (note 6(o)) | 257,335 | 7 | 279,003 | 9 |
| | Profit of the year | 1,254,724 | 33 | 1,246,592 | 38 |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 | Remeasurements effects of defined benefit plans | (2,282) | - | (4,056) | - |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | | (2,282) | - | (4,056) | - |
| 8360 | Other components of other comprehensive income that may be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation | (22,249) | (1) | (10,260) | - |
| 8362 | Unrealized gains (losses) on valuation of available-for-sale financial assets | (36,279) | (1) | 476,184 | 15 |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(u)) | (8,361) | - | 6,266 | - |
| 8399 | Less: Other components of other comprehensive income that may be reclassified to profit or loss | (3,794) | - | (6,055) | - |
| | Components of other comprehensive income that may be reclassified to profit or loss | (63,095) | (2) | 478,245 | 15 |
| 8300 | Other comprehensive income for the year, net of tax | (65,377) | (2) | 474,189 | 15 |
| | Total comprehensive income for the year | <u>\$ 1,189,347</u> | <u>31</u> | <u>1,720,781</u> | <u>53</u> |
| | Profit attributable to: | | | | |
| | Owners of parent | \$ 1,193,324 | 31 | 1,211,018 | 37 |
| | Non-controlling interests | 61,400 | 2 | 35,574 | 1 |
| | | <u>\$ 1,254,724</u> | <u>33</u> | <u>1,246,592</u> | <u>38</u> |
| | Comprehensive income attributable to: | | | | |
| | Owners of parent | \$ 1,116,119 | 29 | 1,532,070 | 47 |
| | Non-controlling interests | 73,228 | 2 | 188,711 | 6 |
| | | <u>\$ 1,189,347</u> | <u>31</u> | <u>1,720,781</u> | <u>53</u> |
| | Earnings per share, net of tax (note 6(q)) | | | | |
| | Basic earnings per share | <u>\$ 4.80</u> | | <u>4.87</u> | |
| | Diluted earnings per share | <u>\$ 4.79</u> | | <u>4.86</u> | |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | |
|--|---|-----------------|-------------------|-----------------|----------------------------------|---|--|-----------------------------|--------------------------|---------------------------|--------------|
| | Share capital | | Retained earnings | | | Total other equity interest | | | | | Total equity |
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on available-for-sale financial assets | Total other equity interest | Owners of parent company | Non-controlling interests | |
| Balance at January 1, 2015 | \$ 2,486,500 | 378,007 | 404,547 | 110,154 | 780,767 | 45,724 | (10,821) | 34,903 | 4,194,878 | 437,562 | |
| Profit for the year | - | - | - | - | 1,211,018 | - | - | - | 1,211,018 | 35,574 | 1,246,592 |
| Other comprehensive income for the year | - | - | - | - | (4,056) | (29,564) | 354,672 | 325,108 | 321,052 | 153,137 | 474,189 |
| Total comprehensive income for the year | - | - | - | - | 1,206,962 | (29,564) | 354,672 | 325,108 | 1,532,070 | 188,711 | 1,720,781 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 77,964 | - | (77,964) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (621,625) | - | - | - | (621,625) | (33,422) | (655,047) |
| Other changes in capital surplus: | | | | | | | | | | | |
| Changes in equity of associates and joint ventures accounted for using equity method | - | (4,022) | - | - | - | - | - | - | (4,022) | - | (4,022) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | 798 | 798 |
| Balance at December 31, 2015 | 2,486,500 | 373,985 | 482,511 | 110,154 | 1,288,140 | 16,160 | 343,851 | 360,011 | 5,101,301 | 593,649 | 5,694,950 |
| Profit for the year | - | - | - | - | 1,193,324 | - | - | - | 1,193,324 | 61,400 | 1,254,724 |
| Other comprehensive income for the year | - | - | - | - | (2,282) | (18,522) | (56,401) | (74,923) | (77,205) | 11,828 | (65,377) |
| Total comprehensive income for the year | - | - | - | - | 1,191,042 | (18,522) | (56,401) | (74,923) | 1,116,119 | 73,228 | 1,189,347 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 121,102 | - | (121,102) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (870,275) | - | - | - | (870,275) | (35,093) | (905,368) |
| Other changes in capital surplus: | | | | | | | | | | | |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 31,383 | - | - | - | - | - | - | 31,383 | - | 31,383 |
| Balance at December 31, 2016 | \$ 2,486,500 | 405,368 | 603,613 | 110,154 | 1,487,805 | (2,362) | 287,450 | 285,088 | 5,378,528 | 631,784 | 6,010,312 |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

| | 2016 | 2015 |
|---|--------------|-------------|
| Cash flows from operating activities: | | |
| Profit before tax | \$ 1,512,059 | 1,525,595 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 100,691 | 96,776 |
| Amortization expense | 22,355 | 21,853 |
| Provision (reversal of allowance) for uncollectable accounts | (13,300) | 13,319 |
| Interest expense | 22,979 | 25,362 |
| Interest income | (14,190) | (9,660) |
| Allowance for inventory market decline and obsolescence | 38,191 | (7,547) |
| Share of loss (profit) of associates and joint ventures accounted for using equity method | (160,393) | 384 |
| Loss on disposal of property, plant and equipment | 121 | 59 |
| Allocation of deferred income | (1,010) | (1,010) |
| Gain on disposal of investments | (104,924) | (655,796) |
| Unrealized profit (loss) from sales | 4,132 | 6,408 |
| Realized loss (profit) from sales | (6,408) | (1,203) |
| Total adjustments to reconcile profit (loss) | (111,756) | (511,055) |
| Changes in operating assets and liabilities: | | |
| Notes receivable | (13,148) | 1,272 |
| Accounts receivable | 170,778 | (284,464) |
| Other receivable | (16,607) | 15,638 |
| Inventories | (71,902) | (47,857) |
| Other current assets | 13,483 | 291 |
| Other financial assets | (515,768) | (1,593) |
| Total changes in operating assets | (433,164) | (316,713) |
| Notes payable | (4,196) | 5,650 |
| Accounts payable | (68,016) | 11,519 |
| Other payable | 25,788 | 14,181 |
| Other current liabilities | 17,374 | (5,257) |
| Net defined benefit liability | (136) | (350) |
| Total changes in operating liabilities | (29,186) | 25,743 |
| Net changes in operating assets and liabilities | (462,350) | (290,970) |
| Total adjustments | (574,106) | (802,025) |
| Cash provided by operating activities | 937,953 | 723,570 |
| Interest received | 14,190 | 9,721 |
| Dividends received | 47,280 | 25,540 |
| Interest paid | (23,021) | (25,268) |
| Income taxes paid | (265,647) | (94,361) |
| Net cash flows from operating activities | 710,755 | 639,202 |
| Cash flows from (used in) investing activities: | | |
| Proceeds from disposal of available-for-sale financial assets | 64,028 | 60,022 |
| Proceeds from disposal of financial assets at cost | 83,748 | - |
| Acquisition of investments accounted for using equity method | (25,059) | - |
| Proceeds from disposal of investments accounted for using equity method | 455,398 | 959,598 |
| Acquisition of property, plant and equipment | (90,262) | (63,571) |
| Proceeds from disposal of property, plant and equipment | 220 | 143 |
| Decrease (increase) in refundable deposits | (16) | 4,823 |
| Acquisition of intangible assets | (1,437) | (8,224) |
| Increase in other financial assets | (50,422) | (120,020) |
| Increase in prepayments for equipment | (12,070) | (113,370) |
| Increase in other non-current assets | (2,625) | (6,698) |
| Net cash flows from investing activities | 421,503 | 712,703 |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 6,263,020 | 8,655,950 |
| Decrease in short-term loans | (6,214,010) | (9,195,950) |
| Proceeds from long-term debt | 630,000 | 1,000,000 |
| Repayments of long-term debt | (500,000) | (300,000) |
| Increase in guarantee deposits received | 7,889 | 635 |
| Cash dividends paid | (870,275) | (621,625) |
| Change in non-controlling interests | - | 798 |
| Dividends paid to non-controlling interests | (35,093) | (33,422) |
| Net cash flows used in financing activities | (718,469) | (493,614) |
| Effect of exchange rate changes on cash and cash equivalents | (15,600) | (1,995) |
| Net increase in cash and cash equivalents | 398,189 | 856,296 |
| Cash and cash equivalents at beginning of period | 1,710,524 | 854,228 |
| Cash and cash equivalents at end of period | \$ 2,108,713 | 1,710,524 |

See accompanying notes to financial statements.



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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

We have audited the financial statements of TTY Biopharm Company Limited (“the Company”), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company financial statements are stated as follows:

1. Revenue recognition

Please refer to Notes 4(q) and 6(p) of the financial statements for the accounting principles on the recognition and explanation of revenue.

Key audit matters:

The main activities of the Company are the production and processing of pharmaceutical and chemical drugs. The operating performance of the Company has an effect on the distribution to their shareholders and stock price. Their financial performance will have an impact on the users of financial statements. Therefore, the accuracy and appropriateness of revenue recognition is a key matter when conducting our audit.

Auditing procedures performed:

Our principal audit procedures included: assessing and testing the design, as well as the effectiveness of the operation on the sales and payment collection control, manual control, and system control; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; conducting substantive analytical procedure, reviewing external documents with records on ledger to confirm whether the sales transactions really exist, and the propriety of the timing for the recognition of revenue and cost is accurate; performing comparison analysis on sales of the current period to last period and the last quarter, and performing trend analysis on operating income from each top ten customer to assess the significant exceptions to further identify and analyze the reason, if any; and conducting test of details for sales and collection.

2. Impairment of accounts receivable

Please refer to Notes 4(f), 5(a) and 6(c) of the financial statements for the accounting principles on the impairment of accounts receivable, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of allowance for impairment with respect to the receivable.

Key audit matters:

The Company judgment in determining the recoverable amounts of individual accounts receivable balances which were overdue is based on historical trend adjusted for certain current factors. Impairment assessment of accounts receivable is one of the key audit matters for our audit, as it requires management to exercise subjective judgment in making assumptions and estimations when calculating for impairment allowances on accounts receivable.

Auditing procedures performed:

Our principal audit procedures included: assessing the default rate, which was calculated by the Company's internal management, and the relevant internal data, and evaluating the reasonableness of parameters and assumption; assessing the assumptions and data used in the calculation for individual accounts receivable; testing the appropriateness and adequacy of provision for doubtful accounts made by the management and the subsequent collection of accounts receivable. Evaluating the adequacy of the disclosures; considering the historical accuracy of the provisions for allowance account, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

3. Inventory valuation

Please refer to Notes 4(g), 5(b) and 6(d) of the financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Company's revenue and income may be effected by the price fluctuations.

Auditing procedures performed:

Our principal audit procedures included: overviewing the stock ageing list, analyzing the movement of stock ageing by period; ensuring the allowance of inventory is in conformity with the accounting policies; realizing the differences between sales price and market price, and evaluating the reasonableness of net realizable price and the current selling price; overviewing the sales situation on and after the period of slow-moving inventory, testing and verifying the correctness about the allowance that was calculated by the Directors; considering the historical accuracy of the provisions for inventory allowance and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year compared to the previous years; evaluating the adequacy of the disclosures.

Other Matter

We did not audit the financial statements of Pharma Engine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 8.58% and 7.24% of the related total assets as of December 31, 2016 and 2015, respectively, and the related investment gains represented 9.29% and 5.26% of the profit before tax for the years ended December 31, 2016 and 2015, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2017

Notes to Readers

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | December 31, 2016 | | December 31, 2015 | | Liabilities and Equity | | December 31, 2016 | | December 31, 2015 | |
|----------------------------|---|---------------------|------------|-------------------|------------|---------------------------------|--|---------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (notes 6(a) and (t)) | \$ 562,174 | 7 | 490,702 | 6 | 2100 | Short-term loans (notes (i) and (t)) | \$ 1,249,010 | 15 | 1,200,000 | 14 |
| 1150 | Notes receivable, net (notes 6(c) and (t)) | 32,288 | - | 26,678 | - | 2150 | Notes payable (note 6(t)) | 16,099 | - | 19,242 | - |
| 1161 | Notes receivable due from related parties (notes 6(c), (t) and 7) | - | - | 342 | - | 2170 | Accounts payable (note 6(t)) | 57,909 | 1 | 125,665 | 1 |
| 1170 | Accounts receivable, net (notes 6(c) and (t)) | 666,194 | 8 | 796,759 | 9 | 2180 | Accounts payable to related parties (notes 6(t) and 7) | - | - | 4,814 | - |
| 1180 | Accounts receivable due from related parties, net (notes 6(c), (t) and 7) | 35,508 | - | 32,016 | - | 2230 | Current tax liabilities (note 6(m)) | 183,226 | 2 | 112,537 | 1 |
| 1200 | Other receivables, net (notes 6(c), (t) and 7) | 57,400 | 1 | 35,637 | - | 2250 | Current provisions | 3,805 | - | 3,805 | - |
| 130X | Inventories (note 6(d)) | 525,006 | 7 | 492,165 | 6 | 2200 | Other payables (notes 6(l) and (t)) | 415,493 | 5 | 352,308 | 4 |
| 1410 | Prepayments | 25,923 | - | 42,328 | 1 | 2300 | Other current liabilities (notes 6(t) and 7) | 46,022 | 1 | 466,736 | 6 |
| 1476 | Other current financial assets | 5,550 | - | 5,550 | - | 2320 | Long-term liabilities, current portion (note 6(j)) | 200,000 | 2 | - | - |
| 1470 | Other current assets | 3,493 | - | 586 | - | | | 2,171,564 | 26 | 2,285,107 | 26 |
| | | 1,913,536 | 23 | 1,922,763 | 22 | | | | | | |
| Non-current assets: | | | | | | Non-Current liabilities: | | | | | |
| 1523 | Non-current available-for-sale financial assets, net (notes 6(b) and (t)) | 70,800 | 1 | 134,384 | 2 | 2540 | Long-term loans (notes 6(j) and (t)) | 630,000 | 7 | 700,000 | 8 |
| 1550 | Investments accounted for using equity method (note 6(e)) | 3,566,861 | 42 | 3,393,662 | 40 | 2570 | Deferred tax liabilities (note 6(m)) | 314,729 | 4 | 316,485 | 5 |
| 1600 | Property, plant and equipment (note 6(f)) | 2,536,258 | 30 | 2,271,907 | 27 | 2640 | Net defined benefit liability, non-current (note 6(l)) | 44,621 | 1 | 42,475 | 1 |
| 1760 | Investment property, net (notes 6(g) and 8) | 77,999 | 1 | 78,354 | 1 | 2645 | Guarantee deposits received (note 6(t)) | 10,607 | - | 2,631 | - |
| 1780 | Intangible assets (note 6(h)) | 13,936 | - | 22,935 | - | | | 999,957 | 12 | 1,061,591 | 14 |
| 1915 | Prepayments for equipment | 181,472 | 2 | 443,012 | 6 | | Total liabilities | 3,171,521 | 38 | 3,346,698 | 40 |
| 1920 | Refundable deposits paid (notes 6(t) and 7) | 19,945 | - | 20,565 | - | | Equity (note 6(n)): | | | | |
| 1981 | Cash surrender value of life insurance (note 6(t)) | 5,198 | - | 8,505 | - | 3100 | Share capital | 2,486,500 | 29 | 2,486,500 | 30 |
| 1984 | Other non-current financial assets, others (notes 6(a), (t) and 8) | 125,847 | 1 | 125,346 | 2 | | Capital surplus: | | | | |
| 1840 | Deferred tax assets (note 6(m)) | 25,761 | - | 20,226 | - | 3200 | Capital surplus | 405,368 | 5 | 373,985 | 4 |
| 1990 | Other non-current assets, others | 12,436 | - | 6,340 | - | | Retained earnings: | | | | |
| | | 6,636,513 | 77 | 6,525,236 | 78 | 3310 | Legal reserve | 603,613 | 7 | 482,511 | 6 |
| | | | | | | 3320 | Special reserve | 110,154 | 1 | 110,154 | 1 |
| | | | | | | 3350 | Total unappropriated retained earnings | 1,487,805 | 17 | 1,288,140 | 15 |
| | | | | | | 3400 | Other equity interest | 285,088 | 3 | 360,011 | 4 |
| | | | | | | | Total equity | 5,378,528 | 62 | 5,101,301 | 60 |
| Total assets | | \$ 8,550,049 | 100 | 8,447,999 | 100 | | Total liabilities and equity | \$ 8,550,049 | 100 | 8,447,999 | 100 |

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

| | | 2016 | | 2015 | |
|------|--|---------------------|-----------|------------------|-----------|
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (notes 6(p) and 7) | \$ 3,344,262 | 100 | 2,738,956 | 100 |
| 5000 | Cost of sales (notes 6 (d) and 7) | 1,128,745 | 34 | 954,054 | 35 |
| | Gross profit | 2,215,517 | 66 | 1,784,902 | 65 |
| 5910 | Less: Unrealized profit (loss) from sales | 7,550 | - | 9,319 | - |
| 5920 | Add: Realized (profit) loss from sales | 9,319 | - | 2,358 | - |
| | Gross profit, net | 2,217,286 | 66 | 1,777,941 | 65 |
| 6000 | Operating expenses (note 7): | | | | |
| 6100 | Selling expenses | 594,375 | 18 | 578,606 | 21 |
| 6200 | General and administrative expenses | 238,537 | 7 | 220,408 | 8 |
| 6300 | Research and development expenses | 230,192 | 7 | 236,398 | 9 |
| | | 1,063,104 | 32 | 1,035,412 | 38 |
| | Net operating income | 1,154,182 | 34 | 742,529 | 27 |
| | Non-operating income and expenses (notes 6(r) and 7): | | | | |
| 7010 | Other income | 18,193 | 1 | 17,604 | 1 |
| 7020 | Other gains and losses | 63,090 | 2 | 50,150 | 2 |
| 7050 | Finance costs | (25,362) | (1) | (25,467) | (1) |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method (note 6(e)) | 221,934 | 7 | 662,924 | 25 |
| | | 277,855 | 9 | 705,211 | 27 |
| | Profit before tax | 1,432,037 | 43 | 1,447,740 | 54 |
| 7950 | Less: Income tax expense (note 6 (m)) | 238,713 | 7 | 236,722 | 9 |
| | Profit for the year | 1,193,324 | 36 | 1,211,018 | 45 |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 | Remeasurements effects of defined benefit plans | (2,282) | - | (4,056) | - |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | | (2,282) | - | (4,056) | - |
| 8360 | Other components of other comprehensive income that may be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation | (22,194) | (1) | (10,273) | - |
| 8362 | Unrealized gains (losses) on valuation of available-for-sale financial assets | (63,584) | (2) | 124,336 | 5 |
| 8380 | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | 7,061 | - | 204,990 | 7 |
| 8399 | Less: Other components of other comprehensive income that may be reclassified to profit or loss | (3,794) | - | (6,055) | - |
| | | (74,923) | (3) | 325,108 | 12 |
| 8300 | Other comprehensive income for the year, net of tax | (77,205) | (3) | 321,052 | 12 |
| | Total comprehensive income for the year | \$ 1,116,119 | 33 | 1,532,070 | 57 |
| | Earnings per share, net of tax (Note 6(o)) | | | | |
| | Basic earnings per share | \$ 4.80 | | 4.87 | |
| | Diluted earnings per share | \$ 4.79 | | 4.86 | |

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED

Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

| | Share capital | | Retained earnings | | | Total other equity interest | | | Total equity |
|--|-----------------|-----------------|-------------------|-----------------|----------------------------------|---|--|-----------------------------|--------------|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on available-for-sale financial assets | Total other equity interest | |
| Balance at January 1, 2015 | \$ 2,486,500 | 378,007 | 404,547 | 110,154 | 780,767 | 45,724 | (10,821) | 34,903 | 4,194,878 |
| Profit for the year | - | - | - | - | 1,211,018 | - | - | - | 1,211,018 |
| Other comprehensive income for the year | - | - | - | - | (4,056) | (29,564) | 354,672 | 325,108 | 321,052 |
| Total comprehensive income for the year | - | - | - | - | 1,206,962 | (29,564) | 354,672 | 325,108 | 1,532,070 |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve | - | - | 77,964 | - | (77,964) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (621,625) | - | - | - | (621,625) |
| Changes in equity of associates and joint ventures accounted for using equity method | - | (4,022) | - | - | - | - | - | - | (4,022) |
| Balance at December 31, 2015 | 2,486,500 | 373,985 | 482,511 | 110,154 | 1,288,140 | 16,160 | 343,851 | 360,011 | 5,101,301 |
| Profit for the year | - | - | - | - | 1,193,324 | - | - | - | 1,193,324 |
| Other comprehensive income for the year | - | - | - | - | (2,282) | (18,522) | (56,401) | (74,923) | (77,205) |
| Total comprehensive income for the year | - | - | - | - | 1,191,042 | (18,522) | (56,401) | (74,923) | 1,116,119 |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve | - | - | 121,102 | - | (121,102) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (870,275) | - | - | - | (870,275) |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 31,383 | - | - | - | - | - | - | 31,383 |
| Balance at December 31, 2016 | \$ 2,486,500 | 405,368 | 603,613 | 110,154 | 1,487,805 | (2,362) | 287,450 | 285,088 | 5,378,528 |

Note: The Company's remuneration of directors of \$15,786 and \$21,468 and remuneration of employees of \$22,048 and \$22,373 for the years ended December 31, 2016 and 2015, had been deducted from statements of comprehensive income for the years ended December 31, 2016 and 2015, respectively.

TTY BIOPHARM COMPANY LIMITED

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

| | 2016 | 2015 |
|---|-------------------|----------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 1,432,037 | 1,447,740 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 97,421 | 93,871 |
| Amortization expense | 10,436 | 13,732 |
| Provision (reversal of allowance) for uncollectable accounts | (13,300) | 13,319 |
| Interest expense | 25,362 | 25,467 |
| Interest income | (2,508) | (2,767) |
| Allowance for inventory market decline and obsolescence | 38,763 | (7,633) |
| Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method | (221,934) | (662,924) |
| Loss (gain) on disposal of property, plant and equipment | 117 | (33) |
| Allocation of deferred income | (1,010) | (1,010) |
| Unrealized profit (loss) from sales | 7,550 | 9,319 |
| Realized loss (profit) from sales | (9,319) | (2,358) |
| Total adjustments to reconcile profit (loss) | (68,422) | (521,017) |
| Changes in operating assets and liabilities: | | |
| Notes receivable | (5,268) | (4,409) |
| Accounts receivable | 140,373 | (335,929) |
| Other receivable | (21,763) | 25,755 |
| Inventories | (71,604) | (42,617) |
| Other current assets | 13,498 | (27,650) |
| Notes payable | (3,143) | 10,499 |
| Accounts payable | (72,570) | 24,557 |
| Other payable | 79,684 | 76,335 |
| Other current liabilities | 6,011 | (20,962) |
| Net defined benefit liability | (136) | (350) |
| Net changes in operating assets and liabilities | 65,082 | (294,771) |
| Total adjustments | (3,340) | (815,788) |
| Cash provided by operating activities | 1,428,697 | 631,952 |
| Interest received | 2,508 | 2,767 |
| Dividends received | 92,823 | 68,914 |
| Interest paid | (25,404) | (25,373) |
| Income taxes paid | (171,521) | (80,047) |
| Net cash flows from operating activities | 1,327,103 | 598,213 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of investments accounted for using equity method | (25,059) | (5,330) |
| Acquisition of property, plant and equipment | (88,445) | (62,125) |
| Proceeds from disposal of property, plant and equipment | 220 | 143 |
| Decrease in refundable deposits | 620 | 5,422 |
| Acquisition of intangible assets | (1,437) | (8,224) |
| Increase in other financial assets | (501) | (120,837) |
| Increase in prepayments for equipment | (28,226) | (156,891) |
| Increase in other non-current assets | (2,789) | (6,361) |
| Net cash flows used in investing activities | (145,617) | (354,203) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 6,263,020 | 8,579,990 |
| Decrease in short-term loans | (6,214,010) | (9,195,950) |
| Proceeds from long-term loans | 630,000 | 1,000,000 |
| Repayments of long-term loans | (500,000) | (300,000) |
| Increase in guarantee deposits received | 7,976 | 635 |
| Increase (decrease) in other non-current liabilities | (426,725) | 426,725 |
| Cash dividends paid | (870,275) | (621,625) |
| Net cash flows used in financing activities | (1,110,014) | (110,225) |
| Net increase in cash and cash equivalents | 71,472 | 133,785 |
| Cash and cash equivalents at beginning of period | 490,702 | 356,917 |
| Cash and cash equivalents at end of period | \$ 562,174 | 490,702 |

See accompanying notes to financial statements.

Attachment 4

TTY BIOPHARM COMPANY LIMITED

Distribution of 2016 Profit Table

Unit: NTD

| Item | Amount | Note |
|--|---------------|-------------------------------------|
| Unappropriated retained earnings of previous years | 296,763,339 | Pension liabilities remeasurement |
| Less: 2016 retained earnings adjustment | 2,282,000 | |
| Unappropriated retained earnings after adjustments | 294,481,339 | |
| Add: 2016 Net profits after taxes for the year | 1,193,324,441 | |
| Less: Appropriated as legal capital reserve (10%) | 119,332,444 | |
| Retained earnings available for distribution as of December 31, 2016 | 1,368,473,336 | |
| Allocation Items | | |
| Cash Dividends to Shareholders | 944,869,844 | Cash dividends of NT\$3.8 per share |
| Unappropriated retained earnings as of December 31, 2016 | 423,603,492 | |

Note : Total shares issued 248,649,959 Common Shares.

Chairman of the Board: Hsiao, Ying-Chun

Responsible Management: Hsiao, Ying-Chun

Responsible Accountant: Wang, Shu-Wen

Attachment 5

TTY BIOPHARM COMPANY LIMITED Articles of Incorporation Amendment Comparison Table

| Before amendment | After amendment | Reason for amendment |
|--|--|--|
| <p>Article 6 Public announcements of this company shall be handled in accordance with the regulations set forth in Article <u>XXVIII</u> of the Company Act.</p> | <p>Article 6 Public announcements of this company shall be handled in accordance with the regulations set forth in Article <u>28</u> of the Company Act.</p> | Text revision |
| <p>Article 19 This company shall appoint <u>a president and one manager each registered at the branches</u>. The appointment, dismissal, and remuneration thereof shall be handled pursuant to Article 29 of the Company Act</p> | <p>Article 19 This company shall appoint managers. The appointment, dismissal, and remuneration thereof shall be handled pursuant to Article 29 of the Company Act</p> | Amended in accordance with the actual needs of the Company |
| <p>Article 21 Where the Company earns annual profits, 1% to 8% shall be allocated as employee <u>bonuses</u> and a maximum of 2% shall be allocated as director and supervisor compensations. Where the Company still has accumulated losses, profits shall be retained to make of for such losses.</p> | <p>Article 21 Where the Company earns annual profits, 1% to 8% shall be allocated as employee <u>compensations</u> and a maximum of 2% shall be allocated as director and supervisor compensations. Where the Company still has accumulated losses, profits shall be retained to make of for such losses.</p> | Amended in accordance with relevant laws and actual needs of the Company |
| <p>Article 24 This company shall adopt a dividend equalization policy to ensure a sound financial structure and safeguard investor rights and interests.</p> | <p>Article 24 This company shall adopt a dividend equalization policy to ensure a sound financial structure and safeguard investor rights and interests.</p> | Amended in accordance with the actual needs of the Company |

| Before amendment | After amendment | Reason for amendment |
|--|--|----------------------|
| <p>A minimum of 50% of distributable surpluses in the respective year shall be distributed as stock dividends. A minimum of <u>10%</u> of the allocated stock dividends in the respective year shall be distributed in form of cash dividends.</p> | <p>A minimum of 50% of distributable surpluses in the respective year shall be distributed as stock dividends. A minimum of <u>70%</u> of the allocated stock dividends in the respective year shall be distributed in form of cash dividends.</p> | |
| <p>Article 27 Matters not specifically covered in these articles of incorporation shall be handled pursuant to regulations set forth in the Company Act <u>&</u> relevant laws</p> | <p>Article 27 Matters not specifically covered in these articles of incorporation shall be handled pursuant to regulations set forth in the Company Act <u>and</u> relevant laws.</p> | Text revision |
| <p>Article 28 These articles were formulated on June 23, 1960. The first amendment was made on June 17, 1966 : : The thirty-sixth amendment was made on June,24, 2016</p> | <p>Article 28 These articles were formulated on June 23, 1960. The first amendment was made on June 17, 1966 : : The thirty-sixth amendment was made on June,24, 2016 <u>The thirty-seventh amendment was made on June 16, 2017</u></p> | Added revised date |

Attachment 6

TTY BIOPHARM COMPANY LIMITED

Procedures for Acquisition or Disposal of Assets Amendment Comparison Table

| Before amendment | After amendment | Reason for amendment |
|---|--|---|
| <p>Article 4 Operation Procedures for Acquisition or Disposal of Assets:</p> <p>1. Omitted</p> <p>2. Authorization Amounts and Levels: (1) ~ (2) Omitted (3) In principle, the Company will not be engaged in acquisition or <u>disposition</u> of membership card or financial <u>agency's</u> claim trading. In the event of necessity of such trading from business needs, such trading will be submitted to the Board of Directors' Meeting for approval before related operation procedures are drafted.</p> <p>3. Omitted</p> <p>4. With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to <u>each supervisor</u>.</p> <p>5. <u>Where the position of independent director has been created</u>, when a transaction</p> | <p>Article 4 Operation Procedures for Acquisition or Disposal of Assets:</p> <p>1. Omitted</p> <p>2. Authorization Amounts and Levels: (1) ~ (2) Omitted (3) In principle, the Company will not be engaged in acquisition or <u>disposal</u> of membership card or financial <u>institution's</u> claim trading. In the event of necessity of such trading from business needs, such trading will be submitted to the Board of Directors' Meeting for approval before related operation procedures are drafted.</p> <p>3. Omitted</p> <p>4. With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to <u>Audit Committee</u>.</p> <p>5. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the</p> | <p>1. Text revision</p> <p>2. Modification is conducted in line with establishment of Audit Committee and needs from business practicing.</p> |

| Before amendment | After amendment | Reason for amendment |
|---|--|---|
| <p>involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>6. <u>Where an Audit Committee has been established</u>, any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 14.4 and 14.5. The so-called major asset transaction shall mean and refer to transaction amount reaches 20 percent of the Company's paid-in capital, 10% of total asset, or exceeds NTD300 million.</p> | <p>board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>6. Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 14.4 and 14.5. The so-called major asset transaction shall mean and refer to transaction amount reaches 20 percent of the Company's paid-in capital, 10% of total asset, or exceeds NTD300 million.</p> | |
| <p><i>Article 5 Price determination methods and reference basis for acquisition or disposal of assets shall be as follows:</i></p> <p>1. With respect to real property or equipment and except for transaction with government <u>agencies</u>, commissioned building</p> | <p><i>Article 5 Price determination methods and reference basis for acquisition or disposal of assets shall be as follows:</i></p> <p>1. <u>With respect to the acquisition or disposal of</u> real property or equipment and except for transaction with government</p> | <p>1. Amended in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p> <p>2. Text revision</p> |

| Before amendment | After amendment | Reason for amendment |
|--|---|--|
| <p>on self-owned land, commissioned building on rented land, or acquisition or disposal for business utilization purpose, appraisal report issued by a professional appraisal company shall be obtained in accordance with Paragraph 1 of Article 6 hereto, and appraisal result shall serve as basis for price determination. Price determination level shall be in line with authorization from the Board of Directors' Meeting.</p> | <p><u>institutions</u>, commissioned building on self-owned land, commissioned building on rented land, or acquisition or <u>disposal</u> for business utilization purpose, appraisal report <u>from</u> a professional appraisal company shall be obtained in accordance with Paragraph 1 of Article 6 hereto, and appraisal result shall serve as basis for price determination. Price determination level shall be in line with authorization from the Board of Directors' Meeting.</p> | |
| <p>Article 6 Acquisition of Expert Report:</p> <p>1. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (1)~(4) Omitted</p> <p>2. Omitted.</p> <p>3. Where the Company acquires or</p> | <p>Article 6 Acquisition of Expert Report:</p> <p>1. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>institution</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (1)~(4) Omitted</p> <p>2. Omitted.</p> <p>3. Where the Company acquires or</p> | <p>Amended in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p> |

| Before amendment | After amendment | Reason for amendment |
|--|--|---|
| <p>disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> | <p>disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government <u>institution</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> | |
| <p>Article 8 Related Party Transactions: 1. Omitted 2. Assessment and Operation Procedures: (1) When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption</u> of domestic</p> | <p>Article 8 Related Party Transactions: 1. Omitted 2. Assessment and Operation Procedures: (1) When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption</u> of domestic</p> | <p>1. Amended in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” 2. Modification is conducted in line with establishment of Audit Committee and needs from business practicing.</p> |

| Before amendment | After amendment | Reason for amendment |
|--|--|----------------------|
| <p>money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters <u>have been approved by the board of directors and recognized by the supervisors.</u></p> <p>(a)~(g)Omitted</p> <p>(2) The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 11.1.(2) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and <u>recognized by the supervisors</u> need not be counted toward the transaction amount.</p> <p>(3) Omitted.</p> <p>(4) <u>Where the position of independent director has been created</u>, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about</p> | <p>money market funds <u>issued by a domestic securities investment trust enterprise (SITE)</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the <u>Audit Committee and board of directors.</u></p> <p>(a)~(g)Omitted</p> <p>(2) The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 11.1.(2) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the <u>Audit Committee and board of directors</u> need not be counted toward the transaction amount.</p> <p>(3) Omitted.</p> <p>(4) When a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be</p> | |

| Before amendment | After amendment | Reason for amendment |
|--|--|----------------------|
| <p>any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>(5) <u>Where an Audit Committee has been established</u>, the matters for which paragraph 1 requires <u>recognition by the supervisors</u> shall first be approved by more than half of all Audit Committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 14.4 and 14.5.</p> <p>3. Reasonableness evaluation of the transaction costs</p> <p>(1)~(4) Omitted</p> <p>(5) Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 8.1 to 8.4 and 8.7 to 8.8 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>(a) Omitted.</p> <p>(b) <u>Supervisors</u> shall comply with Article 218 of the Company Act.</p> | <p>recorded in the minutes of the board of directors meeting.</p> <p>(5) The matters for which paragraph 1 requires <u>recognition by the Audit Committee</u> shall first be approved by more than half of all Audit Committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 14.4 and 14.5.</p> <p>3. Reasonableness evaluation of the transaction costs</p> <p>(1)~(4) Omitted</p> <p>(5) Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 8.1 to 8.4 and 8.7 to 8.8 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>(a) Omitted.</p> <p>(b) <u>Independent director members of the Audit Committee</u> shall comply with Article 218 of the Company Act.</p> | |

| Before amendment | After amendment | Reason for amendment |
|--|--|---|
| <p><i>Article 9 Handling Procedures for Acquisition or <u>Disposition</u> of Derivative Products:</i></p> <p>The Company has prepared separate derivative product transaction handling procedures with which shall be complied during handling of derivative products acquisition or <u>disposition</u>.</p> | <p><i>Article 9 Handling Procedures for Acquisition or <u>Disposal</u> of Derivative Products:</i></p> <p>The Company has prepared separate derivative product transaction handling procedures with which shall be complied during handling of derivative products acquisition or <u>disposal</u>.</p> | Text revision |
| <p><i>Article 10 Handling Procedures for Merger, Demerger, Purchase and Transfer of Shares:</i></p> <p>1. When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p> | <p><i>Article 10 Handling Procedures for Merger, Demerger, Purchase and Transfer of Shares:</i></p> <p>1. When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p> <p><u>Nevertheless, obtainment of</u> <u>aforementioned expert’s</u> <u>rationality comments may be</u> <u>waived in the event of the</u> <u>Company’s merger with a</u> <u>subsidiary of which 100% of</u> <u>shares issued or total capital</u> <u>amount are directly or indirectly</u> <u>held by the Company, or merger</u> <u>between subsidiaries of which</u> <u>100% of shares issued or total</u> <u>capital amount are directly or</u></p> | Amended in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” |

| Before amendment | After amendment | Reason for amendment |
|---|--|---|
| | <u>indirectly held by the Company.</u> | |
| <p>Article 11 Public Announcement Procedures:</p> <p>1. Matters for the Company’s Public Announcement:</p> <p>(1) Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> | <p>Article 11 Public Announcement Procedures:</p> <p>1. Matters for the Company’s Public Announcement:</p> <p>(1) Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds</p> | <p>1. Amended in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p> <p>2. Modifications on paragraph, clause and item have been conducted</p> |

| Before amendment | After amendment | Reason for amendment |
|---|---|----------------------|
| <p>(b) Merger, demerger, acquisition, or transfer of shares.</p> <p>(c) Where an asset transaction other than any of those referred to in the preceding two subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(i) Trading of government bonds.</p> <p>(ii) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(iii) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> | <p><u>issued by a domestic securities investment trust enterprise (SITE).</u></p> <p>(b) Merger, demerger, acquisition, or transfer of shares</p> <p>(c) <u>Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u></p> <p>(d) <u>Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</u></p> <p>(e) Where an asset transaction other than any of those referred to in the preceding four subparagraphs, a disposal of receivables by a financial institution, or an</p> | |

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| <p><u>(iv) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</u></p> <p>(2) Omitted (3) Omitted.</p> <p>2. Omitted 3. Omitted 4. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety. 5. Omitted</p> | <p>investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(i) Trading of government bonds. (ii) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds <u>issued by a domestic securities investment trust enterprise (SITE)</u></p> <p>(2) Omitted (3) Omitted.</p> <p>2. Omitted 3. Omitted 4. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within 2 days after becoming aware of that fact.</u> 5. Omitted</p> | |
| Article 12 Control Procedures for | Article 12 Control Procedures for | Text revision |

| Before amendment | After amendment | Reason for amendment |
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| <p><i>Subsidiaries' Acquisition or Disposal of Assets:</i></p> <p>1. Subsidiaries hereto shall stipulate asset acquisition or <u>disposal handling</u> procedures in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p> <p>2. Omitted</p> | <p><i>Subsidiaries' Acquisition or Disposal of Assets:</i></p> <p>1. Subsidiaries hereto shall stipulate asset acquisition or <u>disposal</u> procedures in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p> <p>2. Omitted</p> | |
| <p><i>Article 14 Enforcement and Amendment:</i></p> <p>1. After the procedures have been approved by the board of directors, they shall be <u>submitted to each supervisor</u>, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion <u>to each supervisor</u>.</p> <p>2. <u>Where the position of independent director has been created</u>, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any</p> | <p><i>Article 14 Enforcement and Amendment:</i></p> <p>1. After the procedures have been approved by the <u>Audit Committee and then by the</u> board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to <u>Audit Committee</u>.</p> <p>2. When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in</p> | <p>Modification is conducted in line with establishment of Audit Committee and needs from business practicing.</p> |

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| <p>matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>3. <u>Where an Audit Committee has been established</u>, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution.</p> <p>4. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</p> <p>5. The terms "all Audit Committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>6. <u>In the event of the Company's establishment of an Audit Committee, Article 4, Article 8 and Article 14 which apply to supervisor shall also apply to Audit Committee, and Item 2, Clause 5, Paragraph 3 of Article 8 shall also apply to independent directors of the Audit Committee.</u></p> | <p>the minutes of the board of directors meeting.</p> <p>3. Where an Audit Committee has been established in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution.</p> <p>4. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</p> <p>5. The terms "all Audit Committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> | |

| Before amendment | After amendment | Reason for amendment |
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| <p>Article 15 Supplements: Matters not prescribed in these Procedures hereto shall be processed in accordance with related laws and the Company's related rules and requirements. These Procedures were enacted on May 22, 1998.</p> <p style="text-align: center;">⋮</p> <p>The 6th amendment was made on June 24, 2014.</p> | <p>Article 15 Supplements: Matters not prescribed in these Procedures hereto shall be processed in accordance with related laws and the Company's related rules and requirements. These Procedures were enacted on May 22, 1998.</p> <p style="text-align: center;">⋮</p> <p>The 6th amendment was made on June 24, 2014.</p> <p><u>The 7th amendment was made on June 16, 2017.</u></p> | <p>Added revised date</p> |