

Stock Code: 4105

**TTY BIOPHARM** 台灣東洋藥品工業股份有限公司  
台灣東洋藥品 TTY BIOPHARM COMPANY LIMITED

## **2017 Annual General Shareholders' Meeting Meeting Handbook**

Meeting Date: June 16, 2017

Meeting Venue: Building E, 4<sup>th</sup> Floor, No.19-11, Sanchong Rd., Nangang Dist.,  
Taipei City, Taiwan

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2017 ANNUAL SHAREHOLDERS' MEETING (THE "AGENDA") OF TTY BIOPHARM COMPANY LIMITED (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE. THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE HANDBOOK SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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# I. Meeting Procedure

Time: June 16, 2017 (Friday) 9:00 AM

Location: Room 447, Nankang Software Incubator

(Address: 4F, Bldg E, No.19-11,Sanchong Road, Nangang District, Taipei City)

- I. Report the total number of shares represented at this AGM
- II. Meeting Commencement Announced
- III. Chairman Address
- IV. Report Items
  - (1) 2016 Business Report
  - (2) Audit Committee's Review Report on the 2016 Financial Statements
  - (3) Report on Employee, Directors and Supervisors Remuneration in 2016
  - (4) Report on establishment of "Ethical Corporate Management Best Practice Principles"
  - (5) Report on Investments in China
- V. Ratification Items
  - (1) 2016 Business Report and Financial Statements
  - (2) 2016 Profit Distribution
- VI. Discussion Items
  - (1) Amendment to "Articles of Incorporation"
  - (2) Amendment to "Procedures for Acquisition or Disposal of Assets"
  - (3) Release of non-competition restrictions for Directors
- VII. Extemporaneous Motions
- VIII. Adjournment

## II. Report Items

### Item One:

2016 Business Report

### Description:

Please refer to Attachment 1 for detailed Business Reports (Pages 7-11).

### Item Two:

Audit Committee's Review Report on the 2016 Financial Statements

### Description:

The Financial Statement, Business Report, and Distribution of 2016 Profits Table have been audited by Audit Committee. Please refer to Attachment 2 for Audit Committee's Review Report (Page 28)

### Item Three:

Report on Employee, Directors and Supervisors Remuneration in 2016

### Description:

The company earned profits of NT\$1,469,871,332 in 2016. Pursuant to the regulations set forth in Article 21 of the Articles of Incorporation, NT\$ 22,048,070,1.5% and NT\$ 15,785,792,1.074% of these earnings shall be allocated as Employee and Directors / Supervisors remuneration, respectively and the total amount will be distributed in cash.

### Item Four:

Report on establishment of "Ethical Corporate Management Best Practice Principles"

### Description:

1. The company formulated "Ethical Corporate Management Best Practice Principles" pursuant to relevant regulations for TWSE/GTSM-Listed Companies to establish a corporate culture characterized by business integrity, ensure sound development, and create a reference framework for positive business operations.
2. Please refer to the Attachment 3 for "Ethical Corporate Management Best Practice Principles" (page29-37).

**Item Five:**

Report on Investments in China

**Description:**

Please refer to Attachment 4 for detailed Report on Investments in China (Pages 38-39)

### **III. 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 for 2016 Business Report and Financial Statements (pages 7-27 ).

**Resolution:**

**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 5 for Distribution of 2016 Profits Table (page 40).

**Resolution:**

## IV. 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 6 (Pages 41-42) for Articles of Incorporation Amendment Comparison Table

**Resolution:**

**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 7(page 43-55) for Procedures for Acquisition or Disposal of Assets Amendment Comparison Table

**Resolution:**



**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 EnhanceX 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.

**Resolution:****V. Extraordinary Motions****Adjournment**

## VI. Attachments

### 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



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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	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
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	-			<u>2,171,564</u>	<u>26</u>	<u>2,285,107</u>	<u>26</u>
		<u>1,913,536</u>	<u>23</u>	<u>1,922,763</u>	<u>22</u>	<b>Non-Current liabilities:</b>					
<b>Non-current assets:</b>						2540	Long-term loans (notes 6(j) and (t))	630,000	7	700,000	8
1523	Non-current available-for-sale financial assets, net (notes 6(b) and (t))	70,800	1	134,384	2	2570	Deferred tax liabilities (note 6(m))	314,729	4	316,485	5
1550	Investments accounted for using equity method (note 6(e))	3,566,861	42	3,393,662	40	2640	Net defined benefit liability, non-current (note 6(l))	44,621	1	42,475	1
1600	Property, plant and equipment (note 6(f))	2,536,258	30	2,271,907	27	2645	Guarantee deposits received (note 6(t))	10,607	-	2,631	-
1760	Investment property, net (notes 6(g) and 8)	77,999	1	78,354	1			<u>999,957</u>	<u>12</u>	<u>1,061,591</u>	<u>14</u>
1780	Intangible assets (note 6(h))	13,936	-	22,935	-		<b>Total liabilities</b>	<u>3,171,521</u>	<u>38</u>	<u>3,346,698</u>	<u>40</u>
1915	Prepayments for equipment	181,472	2	443,012	6	<b>Equity (note 6(n)):</b>					
1920	Refundable deposits paid (notes 6(t) and 7)	19,945	-	20,565	-	3100	Share capital	2,486,500	29	2,486,500	30
1981	Cash surrender value of life insurance (note 6(t))	5,198	-	8,505	-	<b>Capital surplus:</b>					
1984	Other non-current financial assets, others (notes 6(a), (t) and 8)	125,847	1	125,346	2	3200	Capital surplus	405,368	5	373,985	4
1840	Deferred tax assets (note 6(m))	25,761	-	20,226	-	<b>Retained earnings:</b>					
1990	Other non-current assets, others	12,436	-	6,340	-	3310	Legal reserve	603,613	7	482,511	6
		<u>6,636,513</u>	<u>77</u>	<u>6,525,236</u>	<u>78</u>	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
							<b>Total equity</b>	<u>5,378,528</u>	<u>62</u>	<u>5,101,301</u>	<u>60</u>
<b>Total assets</b>		<u>\$ 8,550,049</u>	<u>100</u>	<u>8,447,999</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 8,550,049</u>	<u>100</u>	<u>8,447,999</u>	<u>100</u>

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	<b>Operating revenue (notes 6(p) and 7)</b>	\$ 3,344,262	100	2,738,956	100
5000	<b>Cost of sales (notes 6 (d) and 7)</b>	<u>1,128,745</u>	<u>34</u>	<u>954,054</u>	<u>35</u>
	<b>Gross profit</b>	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	<u>9,319</u>	<u>-</u>	<u>2,358</u>	<u>-</u>
	<b>Gross profit, net</b>	<u>2,217,286</u>	<u>66</u>	<u>1,777,941</u>	<u>65</u>
6000	<b>Operating expenses (note 7):</b>				
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	<u>230,192</u>	<u>7</u>	<u>236,398</u>	<u>9</u>
		<u>1,063,104</u>	<u>32</u>	<u>1,035,412</u>	<u>38</u>
	<b>Net operating income</b>	<u>1,154,182</u>	<u>34</u>	<u>742,529</u>	<u>27</u>
	<b>Non-operating income and expenses (notes 6(r) and 7):</b>				
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))	<u>221,934</u>	<u>7</u>	<u>662,924</u>	<u>25</u>
		<u>277,855</u>	<u>9</u>	<u>705,211</u>	<u>27</u>
	<b>Profit before tax</b>	<u>1,432,037</u>	<u>43</u>	<u>1,447,740</u>	<u>54</u>
7950	Less: Income tax expense (note 6 (m))	<u>238,713</u>	<u>7</u>	<u>236,722</u>	<u>9</u>
	<b>Profit for the year</b>	<u>1,193,324</u>	<u>36</u>	<u>1,211,018</u>	<u>45</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(2,282)</u>	<u>-</u>	<u>(4,056)</u>	<u>-</u>
8360	<b>Other components of other comprehensive income that may be reclassified to profit or loss</b>				
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	<u>(3,794)</u>	<u>-</u>	<u>(6,055)</u>	<u>-</u>
		<u>(74,923)</u>	<u>(3)</u>	<u>325,108</u>	<u>12</u>
8300	<b>Other comprehensive income for the year, net of tax</b>	<u>(77,205)</u>	<u>(3)</u>	<u>321,052</u>	<u>12</u>
	<b>Total comprehensive income for the year</b>	<u>\$ 1,116,119</u>	<u>33</u>	<u>1,532,070</u>	<u>57</u>
	<b>Earnings per share, net of tax (Note 6(o))</b>				
	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 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	
<b>Balance at January 1, 2015</b>	\$ 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
<b>Balance at December 31, 2016</b>	\$ 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.

See accompanying notes to financial statements.

## 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
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 1,432,037	1,447,740
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
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)
<b>Total adjustments to reconcile profit (loss)</b>	(68,422)	(521,017)
<b>Changes in operating assets and liabilities:</b>		
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)
<b>Net changes in operating assets and liabilities</b>	65,082	(294,771)
<b>Total adjustments</b>	(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)
<b>Net cash flows from operating activities</b>	1,327,103	598,213
<b>Cash flows from (used in) investing activities:</b>		
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)
<b>Net cash flows used in investing activities</b>	(145,617)	(354,203)
<b>Cash flows from (used in) financing activities:</b>		
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)
<b>Net cash flows used in financing activities</b>	(1,110,014)	(110,225)
<b>Net increase in cash and cash equivalents</b>	71,472	133,785
<b>Cash and cash equivalents at beginning of period</b>	490,702	356,917
<b>Cash and cash equivalents at end of period</b>	<b>\$ 562,174</b>	<b>490,702</b>

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 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 Balance Sheets**

**December 31, 2016 and 2015**

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015				December 31, 2016		December 31, 2015	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a) and (v))	\$ 2,108,713	23	1,710,524	19	2100	Short-term loans (note 6(k) and (v))	\$ 1,249,010	13	1,200,000	14
1150	Notes receivable, net (note 6(c) and (v))	62,278	1	48,669	1	2150	Notes payable (note 6(v))	16,572	-	20,768	-
1161	Notes receivable due from related parties (note 6(c), (v) and 7)	-	-	461	-	2170	Accounts payable (note 6(v))	84,671	1	148,498	2
1170	Accounts receivable, net (note 6(c) and (v))	783,373	8	932,627	11	2180	Accounts payable to related parties (note 6(v) and 7)	-	-	4,814	-
1180	Accounts receivable due from related parties, net (note 6(c), (v) and 7)	13,668	-	22,839	-	2230	Current tax liabilities (note 6(o))	193,201	2	198,378	2
1200	Other receivables, net (note 6(c), (v) and 7)	46,309	-	488,470	6	2250	Current provisions	5,327	-	5,327	-
130X	Inventories (note 6 (d))	565,683	7	532,137	6	2200	Other payables (note 6(v) and 7)	483,329	6	459,919	5
1410	Prepayments	26,884	-	44,828	1	2300	Other current liabilities (note 7)	48,548	1	31,230	-
1460	Non-current assets classified as held for sale, net (note 6(e))	-	-	27,791	-	2320	Long-term liabilities, current portion (note 6(l))	200,000	3	-	-
1476	Other current financial assets (note 6(a), (v) and 8)	1,057,186	12	492,075	6			<u>2,280,658</u>	<u>26</u>	<u>2,068,934</u>	<u>23</u>
1470	Other current assets	4,186	-	605	-						
		<u>4,668,280</u>	<u>51</u>	<u>4,301,026</u>	<u>50</u>	<b>Non-Current liabilities:</b>					
<b>Non-current assets:</b>						2540	Long-term loans (note 6(l) and (v))	630,000	7	700,000	8
1523	Non-current available-for-sale financial assets, net (note 6(b) and (v))	539,205	6	562,733	6	2570	Deferred tax liabilities (note 6(o))	314,729	3	316,485	3
1550	Investments accounted for using equity method, net (note 6(f))	1,007,758	11	873,484	10	2640	Net defined benefit liability, non-current (note 6(n))	44,621	-	42,475	1
1600	Property, plant and equipment (note 6(h))	2,585,575	28	2,295,527	26	2645	Guarantee deposits received (note 6(v))	9,985	-	2,096	-
1760	Investment property, net (note (i) and 8)	77,999	1	78,354	1			<u>999,335</u>	<u>10</u>	<u>1,061,056</u>	<u>12</u>
1780	Intangible assets (note 6(j))	29,648	-	50,780	1			<u>3,279,993</u>	<u>36</u>	<u>3,129,990</u>	<u>35</u>
1840	Deferred tax assets (note 6(o))	31,760	-	26,841	-	<b>Total liabilities</b>					
1915	Prepayments for equipment	181,472	2	471,291	5	<b>Equity attributable to owners of parent (note 6(p)):</b>					
1920	Refundable deposits paid (note 6(v) and 7)	24,001	-	23,985	-	<b>Share capital:</b>					
1981	Cash surrender value of life insurance (note 6(v) and 8)	5,198	-	8,505	-	3100	Share capital	2,486,500	27	2,486,500	28
1984	Other non-current financial assets (note 6(a), (v) and 8)	126,816	1	125,737	1	<b>Capital surplus:</b>					
1990	Other non-current assets	12,593	-	6,677	-	3200	Capital surplus	405,368	4	373,985	4
		<u>4,622,025</u>	<u>49</u>	<u>4,523,914</u>	<u>50</u>	<b>Retained earnings:</b>					
						3310	Legal reserve	603,613	6	482,511	6
						3320	Special reserve	110,154	1	110,154	1
						3350	Total unappropriated retained earnings	1,487,805	16	1,288,140	15
						3400	Other equity interest	285,088	3	360,011	4
								<u>5,378,528</u>	<u>57</u>	<u>5,101,301</u>	<u>58</u>
						<b>Equity attributable to the parent company:</b>					
						36XX	Non-controlling interests (note 6(p))	631,784	7	593,649	7
								<u>6,010,312</u>	<u>64</u>	<u>5,694,950</u>	<u>65</u>
						<b>Total equity</b>					
<b>Total assets</b>		<u>\$ 9,290,305</u>	<u>100</u>	<u>8,824,940</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 9,290,305</u>	<u>100</u>	<u>8,824,940</u>	<u>100</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 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	<b>Operating revenue (note 6(r) and 7)</b>	\$ 3,760,717	100	3,195,218	100
5000	<b>Cost of sales (note 6(d) and 7)</b>	1,203,773	32	1,006,869	32
	<b>Gross profit</b>	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	-
	<b>Gross profit, net</b>	2,559,220	68	2,183,144	68
6000	<b>Operating expenses (note 7):</b>				
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
	<b>Net operating income</b>	1,179,687	32	789,787	24
	<b>Non-operating income and expenses (note 6(t) and 7):</b>				
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
	<b>Profit before tax</b>	1,512,059	40	1,525,595	47
7950	Less: Income tax expense (note 6(o))	257,335	7	279,003	9
	<b>Profit of the year</b>	1,254,724	33	1,246,592	38
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
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	<b>Other components of other comprehensive income that may be reclassified to profit or loss</b>				
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	<b>Other comprehensive income for the year, net of tax</b>	(65,377)	(2)	474,189	15
	<b>Total comprehensive income for the year</b>	<u>\$ 1,189,347</u>	<u>31</u>	<u>1,720,781</u>	<u>53</u>
	<b>Profit attributable to:</b>				
	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>
	<b>Comprehensive income attributable to:</b>				
	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>
	<b>Earnings per share, net of tax (note 6(q))</b>				
	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	
<b>Balance at January 1, 2015</b>	\$ 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
<b>Balance at December 31, 2016</b>	\$ 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)**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 1,512,059	1,525,595
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
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)
<b>Total adjustments to reconcile profit (loss)</b>	(111,756)	(511,055)
<b>Changes in operating assets and liabilities:</b>		
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)
<b>Total changes in operating assets</b>	(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)
<b>Total changes in operating liabilities</b>	(29,186)	25,743
<b>Net changes in operating assets and liabilities</b>	(462,350)	(290,970)
<b>Total adjustments</b>	(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)
<b>Net cash flows from operating activities</b>	710,755	639,202
<b>Cash flows from (used in) investing activities:</b>		
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)
<b>Net cash flows from investing activities</b>	421,503	712,703
<b>Cash flows from (used in) financing activities:</b>		
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)
<b>Net cash flows used in financing activities</b>	(718,469)	(493,614)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(15,600)	(1,995)
<b>Net increase in cash and cash equivalents</b>	398,189	856,296
<b>Cash and cash equivalents at beginning of period</b>	1,710,524	854,228
<b>Cash and cash equivalents at end of period</b>	\$ 2,108,713	1,710,524

See accompanying notes to financial statements.

## **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

## Attachment 3

### TTY BIOPHARM COMPANY LIMITED

#### Ethical Corporate Management Best Practice Principles

Established on December 29, 2016

#### **Article 1 Purpose and Scope**

These Principles are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.

These principles apply to the Company, its subsidiaries, and other institutions or juridical persons which are substantially controlled by such company (hereafter referred to as "business group").

#### **Article 2 Prohibition of Unethical Conduct**

When engaging in commercial activities, directors, managers, employees, and mandataries of the Company or persons having substantial control over such companies (hereafter referred to as "substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and its directors, managers, employees or substantial controllers or other stakeholders.

#### **Article 3 Form of Benefits**

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

#### **Article 4 Legal Compliance**

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.



**Article 5**      **Policies**

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

**Article 6**      **Prevention Programs**

The Company shall in its own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct, including operational procedures, guidelines, and training.

When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the companies and its business group are operating.

In the course of developing the prevention programs, the Company shall negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.

**Article 7**      **Scope of Prevention Programs**

When establishing the prevention programs, the Company shall analyze which business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.

The prevention programs adopted by the Company shall at least include preventive measures against the following:

Offering and acceptance of bribes.

Illegal political donations.

Improper charitable donations or sponsorship.

Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.

Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.

Engaging in unfair competitive practices.

Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

**Article 8      Commitment and Exercise**

The Company and its respective business group shall clearly specify in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

**Article 9      Principle of Ethical Management**

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

**Article 10     Prohibition of Bribery**

When conducting business, the Company and its directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

**Article 11     Prohibition of Illegal Political Donations**

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

**Article 12     Prohibition of offering Inappropriate Donations and Sponsorship**

When making or offering donations and sponsorship, the Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

**Article 13      Prohibition of Unreasonable Presents, Hospitality or other Interests**  
The Company and its directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

**Article 14      Prohibition of Intellectual Property Right Infringement**  
The Company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

**Article 15      Prohibition of Unfair Competition**  
The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

**Article 16      Preventing its products and services from damaging stakeholders**  
In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, its products and services. The Company shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in its operations, with a view to preventing its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

**Article 17      Organization and Responsibilities**  
The directors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make

adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

**Article 18      Legal Compliance during Business Operations**

The Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

**Article 19      Avoidance of Conflicts of Interest**

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors, managers, employees, mandataries, and substantial controllers shall not take advantage of its positions or influence in the companies to obtain improper benefits for themselves, its spouses, parents, children or any other person.

**Article 20      Accounting and Internal Audit**

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

**Article 21      Operational Procedures and Guidelines**

The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business

information obtained in the ordinary course of business.

6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

**Article 22 Education and Appraisal**

The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.

The Company shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

**Article 23 Whistle-blowing System**

The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.
2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the Audit Committee. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to its whistle-blowing.
6. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the

Company comes to its awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the Audit Committee in written form.

**Article 24      Disciplinary and Appeal System**

The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

**Article 25      Information Disclosure**

The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on its company websites, annual reports, and prospectuses, and shall disclose its ethical corporate management best practice principles on the Market Observation Post System.

**Article 26      Review of Ethical Corporate Management Policies and Measures**

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

**Article 27      Implement**

The ethical corporate management best practice principles of the Company shall be implemented after reviewed by the Audit Committee then approved by the board of directors, and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended. When the ethical corporate management best practice principles 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 the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some

legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.



## Attachment 4

### TTY BIOPHARM COMPANY LIMITED

#### Investments in China

##### 1. Information on investees in Mainland China :

(In Thousands of New Taiwan Dollars/Foreign Currencies)

Name of investee	Main businesses and products	Total amount of paid-in capital	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Holding percentage	Investment income (losses)	Book value
				Outflow	Inflow					
Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding chemical medicine	328,950 USD10,200	323,433	-	-	323,433	32,592 CNY6,720	100%	32,592 CNY6,720	(70,674) CNY(15,304)
Worldco Biotech(Chengdu) Pharmaceutical Ltd. (Note)	Selling chemical medicine	54,942 CNY11,900	92,940 CNY20,130	-	-	92,940 CNY20,130	(664) CNY(137)	100%	(664) CNY(137)	51,207 CNY11,091

The exchange rate of USD to NTD as of the reporting date is 1:32.25, and the average exchange rate of USD to NTD as of the reporting date is 1:32.245.

The exchange rate of CNY to NTD as of the reporting date is 1:4.617, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.85

Note: Chengdu Shuyu Pharmaceutical Co., Ltd. was renamed to Worldco Biotech (Chengdu) Pharmaceutical Ltd. on September 27, 2016

2. Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars/Foreign Currencies)

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
423,982	1,506,978 (USD 46,728)	3,227,117

## Attachment 5

### 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 6

### TTY BIOPHARM COMPANY LIMITED Articles of Incorporation Amendment Comparison Table

Before amendment	After amendment	Reason for amendment
<p><b>Article 6</b> 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><b>Article 6</b> 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><b>Article 19</b> 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><b>Article 19</b> 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><b>Article 21</b> 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><b>Article 21</b> 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><b>Article 24</b> This company shall adopt a dividend equalization policy to ensure a sound financial structure and safeguard investor rights and interests.</p>	<p><b>Article 24</b> 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><b>Article 27</b> Matters not specifically covered in these articles of incorporation shall be handled pursuant to regulations set forth in the Company Act <u>&amp;</u> relevant laws</p>	<p><b>Article 27</b> 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><b>Article 28</b> 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><b>Article 28</b> 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 7

### TTY BIOPHARM COMPANY LIMITED

#### Procedures for Acquisition or Disposal of Assets Amendment Comparison Table

Before amendment	After amendment	Reason for amendment
<p><b>Article 4 Operation Procedures for Acquisition or Disposal of Assets:</b></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><b>Article 4 Operation Procedures for Acquisition or Disposal of Assets:</b></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><b><i>Article 5 Price determination methods and reference basis for acquisition or disposal of assets shall be as follows:</i></b></p> <p>1. With respect to real property or equipment and except for transaction with government <u>agencies</u>, commissioned building</p>	<p><b><i>Article 5 Price determination methods and reference basis for acquisition or disposal of assets shall be as follows:</i></b></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><b>Article 6 Acquisition of Expert Report:</b></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><b>Article 6 Acquisition of Expert Report:</b></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><b><i>Article 8 Related Party Transactions:</i></b>  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><b><i>Article 8 Related Party Transactions:</i></b>  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><b><i>Article 9 Handling Procedures for Acquisition or <u>Disposition</u> of Derivative Products:</i></b></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><b><i>Article 9 Handling Procedures for Acquisition or <u>Disposal</u> of Derivative Products:</i></b></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><b><i>Article 10 Handling Procedures for Merger, Demerger, Purchase and Transfer of Shares:</i></b></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><b><i>Article 10 Handling Procedures for Merger, Demerger, Purchase and Transfer of Shares:</i></b></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><b>Article 11 Public Announcement Procedures:</b></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><b>Article 11 Public Announcement Procedures:</b></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) <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><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 <u>four</u> subparagraphs, a disposal of receivables by a financial institution, or an</p>	

Before amendment	After amendment	Reason for amendment
<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>	
<b>Article 12 Control Procedures for</b>	<b>Article 12 Control Procedures for</b>	Text revision

Before amendment	After amendment	Reason for amendment
<p><b><i>Subsidiaries' Acquisition or Disposal of Assets:</i></b></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><b><i>Subsidiaries' Acquisition or Disposal of Assets:</i></b></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><b><i>Article 14 Enforcement and Amendment:</i></b></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><b><i>Article 14 Enforcement and Amendment:</i></b></p> <p>1. After the procedures have been approved by the <u>Audit Committee and then by the board</u> 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>



Before amendment	After amendment	Reason for amendment
<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
<p><b>Article 15 Supplements:</b>  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><b>Article 15 Supplements:</b>  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>

## VII. Appendices

### Appendices 1

(Before amendment of 2017 General Shareholder's Meeting)

#### TTY BIOPHARM COMPANY LIMITED

##### Articles of Incorporation

###### *Chapter 1 General Provisions*

- Article 1 The Company has been named TTY Biopharm Co., Ltd. pursuant to relevant regulations set forth in the Company Act.
- Article 2 Business areas of the Company are as follows:
1. C801010 Basic Industrial Chemical Manufacturing
  2. C802041 Western Medicine Manufacturing
  3. F108021 Wholesale of Western Medicine
  4. F208021 Retail Sale of Western Medicine
  5. F108031 Wholesale of Medical Equipments
  6. F208031 Retail Sale of Medical Equipments
  7. C802060 Animal Use Medicine Manufacturing
  8. C802070 Pesticide Manufacturing
  9. C802080 Environmental Agents Manufacturing
  10. C802100 Cosmetics Manufacturing
  11. C804020 Industrial Rubber Products Manufacturing
  12. C804990 Other Rubber Products Manufacturing
  13. C901020 Glass and Glass Made Products Manufacturing
  14. CF01011 Medical Materials and Equipment Manufacturing
  15. F102170 Wholesale of Food and Grocery
  16. F203010 Retail Sale of Food, Grocery, and Beverages
  17. IG01010 Biotechnology Services
  18. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
- Article 3 The Company may formulate regulations governing external endorsements/ guarantees pursuant to relevant government regulations subject to ratification by the shareholder meeting. All guarantees shall be approved by the board of directors and included in the meeting minutes of board meetings before coming into effect.
- Article 4 The total reinvestment amount may exceed 40% of the paid-in capital. Reinvestment related matters shall be approved by the board of directors and included in the meeting minutes of board meetings before coming into effect.
- Article 5 The Company has its domicile in Taipei City and may establish branches in other suitable locations if deemed necessary.

- Article 6 Public announcements of the Company shall be handled in accordance with the regulations set forth in Article 28 of the Company Act.
- Chapter 2 Shares**
- Article 7 The total capital of the Company is NT\$ 3.5 billion divided into 350 million shares. The par value of each share is NT\$ 10. The board of directors shall be authorized to issue these shares in subsequent offerings.
- Article 8 All stocks of the Company shall be inscribed and a minimum of three board directors shall affix their signatures and seals. Stocks shall be issued upon certification in accordance with relevant laws.
- Article 8.1 It shall not be required to print stocks for shares issued by the Company, but shares shall be registered upon negotiation with centralized securities depository enterprises
- Article 9 Transfer, inheritance, grants, pledge, loss, or other stock related services shall be handled pursuant to the Regulations Governing the Administration of Stock Affairs by Public Companies and other relevant laws and regulations.
- Article 10 Stock name change and transfer shall be suspended within 60 days prior to the convening of Regular Shareholders Meetings, thirty days prior to Extraordinary Shareholders Meetings, and five days prior to the distribution of stock dividends by the Company or the record date of other benefits.
- Chapter 3 Shareholders Meeting**
- Article 11 Annual Shareholders Meetings shall be convened by the board of directors within 6 months upon the end of the accounting year. Extraordinary Shareholders Meetings may be convened when deemed necessary in accordance with relevant laws.
- Article 12 Shareholders shall be entitled to one vote per share unless relevant laws stipulate otherwise.
- Article 12.1 Where shareholders are for any reason unable to personally attend shareholders meetings, they may assign a proxy by presenting a power of attorney printed and issued by the Company. Relevant matters shall be handled in accordance with the regulations set forth in Article 177 of the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- Article 13 Board resolutions require the attendance of shareholders representing a majority of the issued voting shares unless relevant laws stipulate otherwise as well as the approval of the majority of the voting rights represented at the meeting.
- Article 13.1 Resolution items of the shareholders meeting shall be compiled into meeting minutes with the affixed signature and seal of the chairperson. These minutes shall be distributed or made known to the shareholders per public notice within 20 days after the meeting. The meeting minutes shall specify the date, location, name of chair, resolution methods, main agenda items, and results. The minutes shall be

preserved permanently. The shareholder attendance book and the powers of attorney for proxies shall be preserved for a minimum of one year. Where litigation is initiated by shareholders pursuant to Article 189 of the Company Act, said documents shall be preserved until the conclusion of litigation.

**Chapter 4 Directors**

Article 14 The Company shall appoint 7 to 11 board directors. The number of directors elected shall be determined in a board meeting. And a candidate nomination system shall be adapted and the shareholders meeting shall elect directors from the list of candidates. They shall serve for a term of three years. And They may serve consecutive terms if reelected.

At least of the aforementioned 5 to 11 directors and 20% of the aforementioned quota shall be independent directors. The professional qualifications, shareholding ratios, concurrent appointment restrictions, nomination and election methods, and other matters for compliance shall be based on relevant regulations of the authorities in charge of securities.

Article 14.1 When terms of directors expire prior to elections, terms may be extended until the newly elected directors assume office. The total number of inscribed stocks held by the directors of the Company shall conform to the standards prescribed in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies made public by the competent authority.

Article 14.2 When director vacancies account for 1/3, the board shall convene a shareholders' meeting to hold a by-election in accordance with relevant laws. Elected directors shall serve for the remainder of the original terms.

Article 14.3 Board meetings shall be convened annually.

Directors shall be notified of the reasons for the scheduling of board meetings seven days in advance. Meetings may be convened on an ad-hoc basis in case of emergencies.

Directors shall be notified of scheduled meetings in writing, by fax, or by e-mail.

Article 14.4 The board of directors may establish an Audit Committee, a remuneration committee, or other functional committees to meet the needs of business operations. The Audit Committee shall be composed of the independent directors. The responsibilities, organizational charter, exercise of authority, and other compliance items pertaining to the Audit Committee shall be based on relevant regulations of the authorities in charge of securities and the Company.

Article 15 The board is composed of directors who shall elect a chairperson and vice chairperson from among their ranks. The chairperson and vice chairperson shall be elected by a majority of the board directors in attendance with an attendance rate of at least 2/3.

Article 16 Where the chairperson is on leave or for any reason unable to exercise his/her

powers, an acting chairperson shall be appointed pursuant to the regulations set forth in Article 208 of the Company Act.

Article 16.1 Board directors shall personally attend board meetings. The assignment of proxies shall conform to the regulations set forth in Article 205 of the Company Act. Where board meetings are conducted by video conference, participation in the conference shall be viewed as personal attendance.

Article 17 All business policies and key items of the Company shall be handled in accordance with board resolutions. All board resolutions require the attendance of a majority of board directors and approval by a majority of the directors in attendance unless relevant regulations set forth in the Company Act stipulate otherwise.

Article 18 The Company may purchase liability insurance for its directors to reduce the risk of litigation initiated by shareholders or other stakeholders due to the exercise of their duties in accordance with relevant laws.

#### ***Chapter 5 Managers***

Article 19 The Company shall appoint a president and one registered manager each for branches. Appointment, dismissal, and remuneration related matters shall be handled pursuant to the regulations set forth in Article 29 of the Company Act.

#### ***Chapter 6 Accounting***

Article 20 The accounting year runs from January 1 to December 31. Accounts shall be settled at the end of every year. Upon settlement of accounts, the board of directors shall create the following documents and forms which These documents and the review report shall be submitted to the shareholders meeting for ratification in accordance with relevant laws.

1. Business report.
2. Financial statement.
3. Surplus allocation or loss make-up proposal.

Article 21 If there is profit in any given fiscal year, the Company shall set aside 1% to 8% as the compensation for employees, and no more than 2% as the compensation for Directors and Supervisors. Nevertheless, accumulated losses shall be offset in advance.

Article 22 Where surpluses are recorded upon annual settlement of accounts, 10% shall be appropriated as legal reserve upon payment of taxes and making up for previous losses in accordance with relevant laws unless the Legal Reserve has reached the Company's total paid-in capital. The remaining profits shall be set aside for special reserve in accordance with the laws, regulations, or the business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board for approval at a shareholders' meeting.

Article 23 In accordance with stock dividend allocation procedures, the board of directors shall

formulate surplus distribution proposals in consideration of company profits, capital and financial structure, future business demands, accumulated surplus, legal reserves, and market competition conditions at the end of every year. These proposals shall be implemented upon resolution of the shareholders meeting.

Article 24 The Company shall adopt a dividend equalization policy to ensure a sound financial structure and safeguard investor rights and interests. A minimum of 50% of distributable surpluses in the respective year shall be distributed as stock dividends. A minimum of 10% of the allocated stock dividends in the respective year shall be distributed in form of cash dividends.

Article 25 The board of directors shall be authorized to determine the compensation for the execution of duties by board directors and supervisors based on their level of participation and the value of their contributions to company operations regardless of profits and losses incurred by the Company with reference to prevailing industry standards. In case of surpluses, rewards shall be granted pursuant to the regulations set forth in Article 21.

#### ***Chapter 7 Supplementary provisions***

Article 26 The organizational charter and detailed work rules shall be formulated elsewhere by the board of directors.

Article 27 Matters not specifically covered in these articles of Incorporation shall be handled pursuant to regulations set forth in the Company Act and relevant laws.

Article 28 These articles of incorporation were formulated on June 23, 1960.  
They were amended for the first time on June 17, 1966.  
They were amended for the second time on June 17, 1967.  
They were amended for the third time on January 22, 1968.  
They were amended for the fourth time on September 20, 1969.  
They were amended for the fifth time on September 11, 1978.  
They were amended for the sixth time on September 30, 1980.  
They were amended for the seventh time on November 25, 1982.  
They were amended for the eighth time on March 28, 1986.  
They were amended for the ninth time on February 2, 1989.  
They were amended for the tenth time on May 10, 1990.  
They were amended for the eleventh time on October 12, 1991.  
They were amended for the twelfth time on December 2, 1993.  
They were amended for the thirteenth time on July 24, 1995.  
They were amended for the fourteenth time on July 25, 1997.  
They were amended for the fifteenth time on October 7, 1997.  
They were amended for the sixteenth time on November 27, 1997.  
They were amended for the seventeenth time on May 22, 1998.  
They were amended for the eighteenth time on June 25, 1999.

They were amended for the nineteenth time on March 24, 2000.  
They were amended for the twentieth time on December 22, 2000.  
They were amended for the twenty-first time on June 8, 2001.  
They were amended for the twenty-second time on June 8, 2001.  
They were amended for the twenty-third time on May 13, 2002.  
They were amended for the twenty-fourth time on May 13, 2002.  
They were amended for the twenty-fifth time on May 19, 2003.  
They were amended for the twenty-sixth time on May 19, 2003.  
They were amended for the twenty-seventh time on June 1, 2004.  
They were amended for the twenty-eighth time on June 1, 2004.  
They were amended for the twenty-ninth time on June 10, 2005.  
They were amended for the thirtieth time on June 14, 2006.  
They were amended for the thirty-first time on June 19, 2009.  
They were amended for the thirty-second time on June 25, 2010.  
They were amended for the thirty-third time on June 22, 2012.  
They were amended for the thirty-fourth time on June 25, 2013.  
They were amended for the thirty-fifth time on June 16, 2015.  
They were amended for the thirty-sixteenth time on June 24, 2016.



## Appendices 2

(Before amendment of 2017 General Shareholder's Meeting)

### **TTY BIOPHARM COMPANY LIMITED**

#### **Procedures for Acquisition or Disposal of Assets**

**Article 1**      **Legal Basis:**

These Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.

**Article 2**      **Scope of Assets:**

The term "assets" as used in these Procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights (including drug permit license), and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets: Related matters of acquisition and disposal of such assets shall be processed in accordance with these Procedures hereto.

**Article 3**      **Definition of Terms:**

Terms used in these Procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial

Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.

3. Related party or subsidiary: As defined in the Procedures Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Procedures Governing Permission for Investment or Technical Cooperation in the Mainland Area.

**Article 4      *Operation Procedures for Acquisition or Disposal of Assets:***

1. The Company's "Internal Approval Authority Guidelines" shall prepare asset acquisition or disposal approval authority in accordance with authorized amounts and levels prescribed in these Procedures hereto. Acquisition or disposal of various assets shall only be conducted after being approved in accordance with "Internal Approval Authority Guidelines."
2. Authorization Amounts and Levels:
  - (1) Acquisition or disposal of long term equities investment shall be submitted to the Board of Directors' Meeting for approval. Contents for other securities and investment amount limits shall be submitted to the Board of Directors' Meeting for approval before being executed by the Board Director within approved limits.
  - (2) For acquisition or disposal of real property, equipment or intangible asset, approval from the Board of Directors' Meeting shall be obtained after acquisition or disposal is made for amount exceeding NTD5 million. As for amounts exceeding NTD10 million, prior approval from the Board of Directors' Meeting shall be obtained before being executed.
  - (3) In principle, the Company will not be engaged in acquisition or disposal of membership card or financial institution's 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.

3. Assessment, Operation Procedures and Implementation Unit:
  - (1) For acquisition or disposal of long term equities investment, supervisors of related departments shall form an investment assessment team to conduct feasibility assessment. Acquisition or disposal of other securities shall be assessed by financial and accounting units. Financial and accounting units shall be responsible for execution after aforementioned investments have been approved in accordance with approval authority.
  - (2) With respect to acquisition of real property and equipment, demanding unit shall first prepare a capital expenditure plan and feasibility assessment, compile capital expenditure budget, and submit for approval in accordance with approval authority before executing accordingly. As for disposal of real property and equipment, utilizing unit shall fill in application form or submit for project approval, explain disposal reason and method, and forward to administration units for assessment. Disposal shall be proceeded accordingly in accordance with approval obtained.
  - (3) With respect to intangible asset, feasibility assessment shall be conducted by intellectual property units which shall then submit for approval in accordance with approval authority. Intellectual property units shall be responsible for execution after approval is obtained.
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 each supervisor.
5. Where the position of independent director has been created, when a transaction 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.
6. Where an Audit Committee has been established, 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.

**Article 5** *Price determination methods and reference basis for acquisition or disposal of assets shall be as follows:*

1. With respect to real property or equipment and except for transaction with government institutions, commissioned building on self-owned land, commissioned building on rented land, or acquisition or disposal for business utilization purpose, appraisal report from 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.
2. Price determination for securities acquired or disposed through Centralized Securities Exchange Market or Taipei Exchange shall be based on market transaction price.
3. With respect to securities acquired or disposed from non-centralized securities exchange market, investment assessment team shall comply with Paragraph 2 of Article 6 hereto and assess reasonable prices which shall serve as references for price negotiation. Price will then be determined through both parties' negotiation.

**Article 6** *Acquisition of Expert Report:*

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 agency, 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) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
  - (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
  - (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research

and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- (a) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (b) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
2. Where the Company acquires or disposes of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
  3. Where the Company acquires or 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 agency, 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.
  4. With respect to appraisal report or opinions from accountant, lawyer or securities broker prescribed in the preceding three paragraphs, the professional appraisers hereto and their appraisal staff, accountant, lawyer or securities broker or transaction parties shall not serve as interested parties. The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 11.1.(2) 2 herein, and "within the preceding

year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

5. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

**Article 7**     ***The Company and its subsidiaries may acquire non-business purpose real property or securities with total amount and limits for respective securities as follows:***

1. Total amount for the Company's purchase of non-business real property or securities shall not exceed 150% of the Company's paid-in capital or 100% of parent company's owner's equities from the latest financial statement, whichever is higher. Investment in individual securities shall not exceed 100% of the Company's paid-in capital. Total amount from the holding of short term investment and undisposed idle asset or real property shall not exceed the 70% of parent company's owner's equities from the Company's latest financial statement.
2. Total amount for respective subsidiary's purchase of non-business real property or securities shall not exceed 150% of respective subsidiary's paid-in capital, or 100% of parent company's owner's equities from the latest financial statement, whichever is higher. Investment in individual securities shall not exceed 100% of the respective company's paid-in capital. Total amount from the holding of short term investment and undisposed idle asset or real property shall not exceed the 70% of parent company's owner's equities from respective company's latest financial statement.

**Article 8**     ***Related Party Transactions:***

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 6-4 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
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 redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

- (c) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  - (d) The reason for choosing the related party as a trading counterparty.
  - (e) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
  - (f) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
  - (g) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
  - (h) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
  - (i) Restrictive covenants and other important stipulations associated with the transaction
- (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 recognized by the supervisors need not be counted toward the transaction amount.
- (3) With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's board of directors may pursuant to Article 4.2 and 4.3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

- (4) Where the position of independent director has been created, 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 recorded in the minutes of the board of directors meeting.
  - (5) Where an Audit Committee has been established, the matters for which paragraph 1 requires recognition by the supervisors 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.
3. Reasonableness evaluation of the transaction costs
- (1) The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:
    - (a) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
    - (b) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
  - (2) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
  - (3) The Company that acquires real property from a related party and appraises the cost of the real property in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.
  - (4) Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in



accordance with paragraph 2 and the preceding three paragraphs do not apply:

- (a) The related party acquired the real property through inheritance or as a gift.
  - (b) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
  - (c) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land
- (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:
- (a) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  - (b) Supervisors shall comply with Article 218 of the Company Act.
  - (c) Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (6) The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- (7) When the Company obtains real property from a related party, it shall also comply with the Article 8.5 and 8.6 if there is other evidence indicating that the acquisition was not an arm's length transaction. However, where the following circumstances exist, objective evidence has been submitted

and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- (a) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (i) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (ii) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - (iii) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (b) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- (8) Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

4. For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by the Company shall be used.

**Article 9** *Handling Procedures for Acquisition or Disposal of Derivative Products:*

The Company has prepared separate derivative product transaction handling procedures with which shall be complied during handling of derivative products acquisition or disposal.

**Article 10** *Handling Procedures for Merger, Demerger, Purchase and Transfer of Shares:*

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. When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

2. When participating in a merger, demerger, or acquisition, the Company shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
3. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the

- name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
4. When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
    - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
    - (2) An action, such as a disposal of major assets, that affects the Company's financial operations.
    - (3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
    - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
    - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
    - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
  5. The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
    - (1) Handling of breach of contract.
    - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
    - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
    - (4) The manner of handling changes in the number of participating entities or companies.
    - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
    - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

6. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
7. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 2, Article 3, Article 6 and Article 8.
8. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:
  - (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  - (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
  - (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
9. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.
10. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 8 and Article 9.

**Article 11 Public Announcement Procedures:**

1. Matters for the Company's Public Announcement:
  - (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:
    - (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.
    - (b) Merger, demerger, acquisition, or transfer of shares
    - (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:
      - (i) Trading of government bonds.
      - (ii) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
      - (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.
      - (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.
  - (2) The amount of transactions above shall be calculated as follows:
    - (a) The amount of any individual transaction.
    - (b) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
    - (c) The cumulative transaction amount of real property acquisitions and

disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.

- (d) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- (3) "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.
- 2. Information required to be publicly announced and reported - subsidiary
  - (1) For a subsidiary which is not a domestic public company and acquisition or disposal of asset meeting mandatory announcement or report standards prescribed in these Procedures, matters of announcement or report shall be conducted by parent company.
  - (2) "Meeting twenty percent of company's paid-in capital or ten percent of total asset" prescribed in subsidiary company's announcement & report standards shall be based on the Company's paid-in capital or total asset.
- 3. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:
  - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
  - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - (3) Change to the originally publicly announced and reported information.
- 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. Where the Company acquires or disposes of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

**Article 12 Control Procedures for Subsidiaries' Acquisition or Disposal of Assets:**

- 1. Subsidiaries hereto shall stipulate asset acquisition or disposal handling procedures in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."

2. In the event that the Company's subsidiary is not a domestic public company and public announcement on asset acquisition or disposal shall be made in accordance with related regulations, the Company shall make public announcement hereto accordingly.

**Article 13** ***Violation Punishment for Manager and Responsible Person:***

In the event of the Company's manager and responsible person's violation of handling procedures hereto, performance review shall be conducted in accordance with the Company's employee manual and punishment shall be imposed accordingly depending on the seriousness of situations.

**Article 14** **Enforcement and Amendment:**

1. After the procedures have been approved by the 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 each supervisor.
2. Where the position of independent director has been created, 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 the minutes of the board of directors meeting.
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.
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.
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.
6. 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.



***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.

The 1st amendment was made on March 24, 2000.

The 2nd amendment was made on May 13, 2002.

The 3rd amendment was made on May 19, 2003.

The 4th amendment was made on June 21, 2007.

The 5th amendment was made on June 22, 2012.

The 6th amendment was made on June 24, 2014.

## Appendices 3

### TTY BIOPHARM COMPANY LIMITED

#### Shareholders' Meeting Rules

1. Shareholders Meetings of the Company shall be handled in accordance with these rules unless regulations set forth in relevant laws stipulate otherwise.
2. Shareholders Meetings shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated based on the attendance book or handed in sign-in cards.
3. Attendance and voting rights at shareholders meetings shall be calculated based on numbers of shares.
4. The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
5. Where a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise his/her powers, the vice chairperson shall act in place of the chairperson; if the vice chairperson also is on leave or for any reason unable to exercise his/her powers, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair. Where a shareholders' meeting is convened by a person with the power to convene other than the directors, the convener shall serve as chair.
6. The Company may dispatch its attorneys, certified public accountants, or related persons to attend a shareholders' meeting. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
7. The shareholders meeting proceedings shall be audio or video recorded. These records shall be preserved for a minimum of one year.
8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement. No more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act. When the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
9. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set

by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda as specified in the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. Upon adjournment of meetings, shareholders shall not elect another chair to resume the meeting at the original location or a different venue.

10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the regulations set forth in the preceding paragraph or exceeds the scope of the agenda item, the chair may terminate the speech.
12. When a juristic person is commissioned to attend a shareholders meeting as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
14. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.
15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair. All monitoring personnel shall be shareholders of this Corporation. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.
16. When a meeting is in progress, the chair may order a recess based on time considerations.
17. Proposals shall be approved by a majority of the voting rights of attending shareholders unless stipulated otherwise in the Company Act or the articles of incorporation. If attending shareholders express no disagreement upon inquiry by the chair, the proposal shall be considered approved. The legal validity of this process shall be equivalent to voting.
18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they shall be put to a vote. When any one among them is passed, the other proposals will then be

deemed rejected, and no further voting shall be required.

19. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
20. These rules and all amendments thereof shall come into effect upon ratification by a Shareholders' Meeting

## Appendices 4

### TTY BIOPHARM COMPANY LIMITED Shareholdings of Directors

Book closure date: April 18, 2017

<b>Title</b>	<b>Name</b>	<b>Shares held in share register</b>
Chairman	HSIAO YING-CHUN, Legal Representative of DaWan Technology Co., LTD.	20,552,732
Vice Chairman	CHANG, WEN-HWA	3,660,941
Director	YANG, TZE-KAING	—
Director	CHANG, HSIU-CHI	2,143,686
Director	TSENG, TIEN-SZU	3,346
Director	LIAO, YING-YING	—
Independent Director	TSAI, DUEI	—
Independent Director	HSUEH, MING-LING	—
Independent Director	LIN, TIEN-FU	—

Note:

1. Total shares issued 248,649,959 Common Shares ended April 18, 2017.
2. Statutory minimum shareholding requirement for all directors is 12,000,000 shares and Shares held in share register is 26,360,705 shares
3. Since the Company has established an audit committee, statutory shareholding requirements for supervisors are not applicable.