



Stock Code: : 4102

YUNG ZIP CHEMICAL IND. CO., LTD.

Handbook for the 2018 Annual Meeting of Shareholders

Time:2018 June 14th (Thursday)9:00am.

Place:No. 315 Cheng Kung Road, Tachia, Taichung 43744, Taiwan (R.O.C)

Table of Contents

1	Meeting Agenda	P.1
2	Report Items	P.2
	(1) 2017 Business Report	P.2
	(2) Supervisors' Review Report on 2017 Financial Statements	P.2
	(3) Private placement common stock implementation report	P.2
3	Ratification Items	P.6
	(1) Ratification of 2017 Business Report and Financial Statement	P.6
	(2) Ratification of 2017 Loss Make-up Proposal	P.6
4	Discussion Items	P.17
	(1) Proposed Revision to “Company Charter”	P.17
	(2) Proposed Revision to “Rules for Election of Directors and Supervisors”	P.17
	(3) Proposal to release directors from non-competition restrictions	P.18
5	Questions and Motions	P.18
6	Appendices	P.24
	(1)2018 Annual Meeting of Shareholders – Status of Shareholder Proposals	P.24
	(2)Shareholding of Directors and Supervisors Shareholding Figures and Minimum	P.24
	(3)Rules for Election of Directors and Supervisors	P.25
	(4)Company Charter	P.27
	(5)Rules of Procedures for Shareholder Meetings	P.32

1 、 Meeting Agenda

YUNG ZIP CHEMICAL IND. CO., LTD.2018 Agenda of Annual Meeting of Shareholders

Time:2018 June 14th (Thursday)9:00am.

Place:No. 315 Cheng Kung Road, Tachia, Taichung 43744, Taiwan
(R.O.C)

1 、 Call the meeting to order

2 、 Chairman’s Address

3 、 Report Items

- (1) 2017 Business Report.
- (2) Supervisors' Review Report on 2017 Financial Statements.
- (3) Private placement common stock implementation report.

4 、 Ratification Items

- (1) Ratification of 2017 Business Report and Financial Statement.
- (2) Ratification of 2017 Loss Make-up Proposal.

5 、 Discussion Items

- (1) Proposed Revision to “Company Charter”.
- (2) Proposed Revision to “Rules for Election of Directors and Supervisors”.
- (3) Proposal to release directors from non-competition restrictions.

6 、 Other Motions

7 、 Adjournment

2 、 Report Items

1 、 2017 Business Report.

(Please refer to page 3)

2 、 Supervisors' Review Report on 2017 Financial Statements.

(Please refer to page 4)

3 、 Private placement common stock implementation report.

Explanation:

1 、 A resolution was passed at the 2017 Annual Meeting of Shareholders on June 14, 2017 to issue common stock by the private placement method, with number of issued shares not to exceed 8,000,000 shares and face value of each share at NT\$10, and to be executed within one year of the resolution, in two rounds.

2 、 Due to considerations of actual market conditions and feasibility, the Board of Directors resolved on May 2, 2018 to not continue the plan for common stock private placement in the remaining time.

YUNG ZIP CHEMICAL IND. CO., LTD.

2017 Business Report

Yung Zip has always upheld the business philosophy of "innovation, service, effectiveness," and abided by integrity, reliability and strict business ethics, continuing to strengthen its roots in the API industry. Collaboration with strategic industry partners to integrate the API and intermediate supply chain, and active coordination with downstream formulators to further develop business operations in Europe, the United States, Japan, and other regulated markets, along with continuous strengthening of business management and improving of operational process efficiency and overall productivity all contribute to achieving sustainable and steady growth of the company.

In 2017, the company completed successive extensions of drug certifications and PIC/S GMP certification. In addition, we cooperated with formulation plants on DMF preparation and registration, including in Japan, Canada, China, Australia, and the United States, and actively preparing in European and African markets for future product launches. In addition to maintaining existing customers and expanding international market territory to increase export sales, we have also hired several R&D professionals to speed up product development and market access, as well as professionals with European, American, and Japanese regulatory knowledge to enhance the registration success rate in foreign markets. The factory continues to optimize production equipment and processes to improve product quality and reduce costs.

In 2017, Yung Zip faced challenges in the economic environment such as raw material price increases and fluctuations in international exchange markets. However, strategic developments in Europe, the United States, Japan, China, and Africa have enabled overall performance to improve from 2016. Net revenue grew to NT\$314 million, which was a year-on-year increase of NT\$46 million compared to NT\$268 million in the previous year, which represented a growth of approximately 17.26%. The 2017 gross margin of 20% was significantly higher than 1% for the previous year. Operating expenses were NT\$82 million compared to NT\$72 million in 2016; net after-tax loss was NT\$24 million, a sharp decrease compared to the previous year.

Yung Zip is primarily active in research and development of API materials for generic drugs, secondarily active in specialty chemicals, and therapeutic areas covered include antithrombotic, antiviral, blood pressure-lowering, anti-psychotic, overactive bladder, and diabetes medications. In addition, we continue to seek OEM business opportunities in APIs, API intermediates, and specialty chemicals and increase our business operations in API contract manufacturing for domestic and international pharma companies meeting their GLP and GMP requirements at different drug development stages. We provide customers with the necessary chemical, manufacturing and control information, and DMF documentation preparation, submission, registration, and follow-up monitoring, and other related services as an integrated platform. The quality of APIs produced, from product development to production, to storage and transportation, is strictly monitored at each step under the high PIC/S GMP requirements to provide the best quality to customers.

Faced with the ever-changing international economic situation, the management team and all our colleagues are committed to actively creating better results to repay the support of shareholders.

Chairman:Chi Li Lee

President:Ching Huang Lin

Accounting Supervisor:Yu Fang Wang

YUNG ZIP CHEMICAL IND. CO., LTD.

Supervisors' Review Report

The Board of Directors will prepare and submit this company's 2017 financial statements along with the business report and loss make-up proposal. The supervisors have reviewed these reports and found no inconsistencies. Therefore, in accordance with Article 219 of the Company Act, the reports above are provided,

To

Yung Zip 2018 Annual Meeting of Shareholders

YUNG ZIP CHEMICAL IND. CO., LTD.

Supervisor: Chao Long Hu

Supervisor: Pei Chun Chen

Supervisor: The Ming Leu

2018 March 21

3 、 Ratification Items

Proposal 1:(Proposed by the Board of Directors)

Brief: Ratification of 2017 Business Report and Financial Statements.

Explanation:

- 1 、 The 2016 Financial Statements (please refer to pages 6~13) has been audited by Certified Public Accounts Hong Shuhua and Tseng Huijin of PwC Taiwan and submitted to supervisors for review. We request your kind ratification.
- 2 、 The above-mentioned Statements and Business Report (please refer to page 3) are submitted for your ratification.

Resolution:

Proposal 2:(Proposed by the Board of Directors)

Brief: Ratification of 2017 Loss Make-up Proposal.

Explanation:

- 1, 、 The 2017 Loss Make-up Proposal, (please refer to page 14).
- 2 、 Accumulated loss at beginning of year was 0 dollars, in addition to 2017 net loss after taxes of NT\$24,965,025 dollars and defined benefit obligation actuarial gain NT\$503,500 dollars. Accumulated loss at end of year was NT\$ 24,461,525 dollars, because there are no surplus earnings for distribution, it is proposed not to distribute shareholder bonuses, employee bonuses and director and supervisor remuneration.
Hereby submitted for your ratification.

Resolution:

Report of Independent Accountants

(107) Cai-Shen-Bao-Zi No. 17003455

To the Board of Directors and Shareholders of YUNG ZIP CHEMICAL IND. CO., LTD.:

Opinion

YUNG ZIP CHEMICAL IND. CO., LTD.'s (hereafter abbreviated as "YUNG ZIP") individual balance sheets for the years ended Dec. 31, 2017 and 2016, individual statements of comprehensive income for the years ended Dec. 31, 2017 and 2016, individual statements of changes in equity, individual statements of cash flows, and financial statements (including summary of significant accounting policies), have been audited by us.

In our opinion, all significant aspects of the above financial statements are in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and Financial Supervisory Commission R.O.C. (Taiwan)-approved international financial reporting standards, international accounting standards, interpretations and announcements of interpretations, and suitably reflect YUNG ZIP's financial status in the years ended Dec. 31, 2017 and 2016, and financial performance and cash flow for the years ended Dec. 31, 2017 and 2016.

Basis for Opinion

We have audited the work in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the ROC. Our responsibility as specified in the said regulations and standards are explained in the section on "Auditor's responsibilities for the audit of the individual financial statements". Our personnel, who are subject to independent regulations, have acted as per the ROC CPA Code of Professional Ethics to remain neutral while fulfilling their duties set forth in the Code. We are convinced that we have gathered sufficient and appropriate evidence to form the basis for our auditor's opinion given here.

Key Audit Matters

Key audit matters means those we consider most important according to our professional judgment when auditing the financial statement of YUNG ZIP for 2017. The matters have been responded to in the process of auditing the financial statement and forming the auditing opinions. We have no personal views on any of the matters.

Key audit matters for YUNG ZIP's 2017 Financial Statement are as follows:

Sales Income Recognition Timing

Description

For accounting policies on income recognition please see financial report note 4 (21) Income Recognition explanation.

YUNG ZIP's sales revenue is chiefly from sales of APIs, specialty chemicals and other related products, primarily focused on export markets. Export terms are generally defined such that risk and remuneration transfer occurs on shipment of the goods. Yung Zip generally recognizes income according to customs declaration date. In actual practice, time points for recognition of revenues from export sales before and after the closing date of the financial statement will be impacted by the customs procedures, speed of operations of the cargo company, etc. This process for recognizing revenues involves many manpower operations and could result in recording of income recognition at incorrect or unsuitable times. Therefore,

we believe that cutoff dates for income recognition arising from export sales are a key audit matter this year.

How our audit addressed the matter

The corresponding auditing procedures followed for specific aspects in the abovementioned key audit matters are as follows:

1. Understand and evaluate sales transaction procedures and internal controls, to assess the effectiveness of management's control of sales income recognition time points.
2. Verify that sales revenue transactions for a certain period of time are recognized at proper time points.
3. Confirm that the records of accounts receivable and sales revenue are recorded at the correct time consistent with income recognition timing.

Impairment of property, plant and equipment

Description

For accounting policy regarding impairment of property, plant and equipment please see financial report note 4, (15) impairment of non-financial assets and note 5, (2) explanation of significant accounting estimates and assumptions. YUNG ZIP's Property, plant and equipment for Year ended Dec. 31 2017 amounts to 234,286 thousand New Taiwan dollars, accounting or 42% of total assets.

YUNG ZIP engages in manufacture and sales of APIs, specialty chemicals and other related products. Fierce competition in the API market and losses by YUNG ZIP over consecutive years have led to signs of impairment in property, plant and equipment. YUNG ZIP uses estimated future cash flows to measure recoverable amount of cash generating units, to form the basis of evaluating whether property, plant and equipment are impaired.

Regarding the above-mentioned use of future estimated cash flows to measure recoverable amounts from cash generating units, because many assumptions involved in the estimation include decisions on discount rate and prepared financial forecasts for the next four year period, etc., can lead to subjective judgments and carries high uncertainty, having a major impact on resulting measurement of amounts recoverable, thereby influencing estimation of impairment of property, plant and equipment. Therefore, we regard the assessment of impairment of property, plant and equipment as a key audit matter.

How our audit addressed the matter

The corresponding auditing procedures followed for specific aspects in the abovementioned key audit matters are as follows:

1. Evaluate management's estimation procedures for future cash flows, assessing management's performance of past business plans, and check for consistency in cash flows in valuation models and business plans approved by board of directors.
2. Reasonableness of significant assumptions in evaluation models used by auditors includes the following procedures:
 - Comparison of predicted growth rate, and historical results, reports related to economic and industrial forecasts.
 - For discount rate, inspect cash generating unit asset cost assumptions, and compare with similar rates of returns on assets in the market.
 - Inspect valuation model parameters and calculations.
 - Evaluate management's sensitivity analysis of future cash flows under alternate assumptions under different future expected growth rates and different discount rates, to confirm management have

appropriately dealt with uncertainties in estimation of impairments.

Responsibilities of management and those charged with governance for the individual financial statements

The responsibility of management is to provide financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and Financial Supervisory Commission R.O.C. (Taiwan)-approved international financial reporting standards, international accounting standards, interpretations and announcements of interpretations, and maintain necessary internal controls related to preparation of such financial statements, to ensure such financial statements do not contain any false content arising from fraud or error.

While preparing the financial statements, the management has the responsibility to assess the ability of YUNG ZIP to continue their operations, disclose related matters, and the accounting practices to be followed unless the management wanted to liquidate or suspend their businesses if there was no other option.

YUNG ZIP governance units (including the Audit Committee) have the responsibility to supervise the preparation of financial statements.

Auditor’s responsibilities for the audit of the individual financial statements

Our objective in auditing the financial statements, was to ascertain whether they contained any false information due to fraudulent activities or genuine errors and if they were reasonably reliable to release the auditor’s report. Reasonably reliable means highly reliable. However, the auditing work carried out in accordance with commonly accepted ROC audit guidelines cannot guarantee the detection of significant false content in the financial statements. False content might have originated from either errors or fraudulence. If the sums involved are likely to affect the financial decision-making of users of the consolidated financial statements such false content would be significant.

We have conducted the auditing work according to audit standards generally accepted in the ROC and exercised our professional judgment and are professionally skeptical. We have executed the following tasks:

1. Identifying and evaluating likely risks from significant false content in the financial statements as a result of fraudulence or errors; designing and executing proper counter-measures against risks identified; and also establishing sufficient and appropriate audit evidence to serve as the basis for the auditor’s report. As fraudulence may involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false content resulting from fraudulence is higher than the risk of failing to identify those emanating from errors.
2. Gaining necessary knowledge about the internal control mechanism that is closely related to auditing work and designing an appropriate audit procedure without expressing any opinion about the internal controls of YUNG ZIP.
3. Evaluating the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting assessment and related disclosures.
4. Based on audit evidence, draw conclusions as to appropriateness of management continuing to follow the same accounting procedures, and whether any significant doubt exists about the capacity of YUNG ZIP to continue to operate or if any significant uncertainty exists. If we conclude that significant uncertainty exists, then we are required to draw attention in the auditor’s report to related disclosures in the financial statement, or if such disclosures are inadequate to modify our opinion. Our conclusion was arrived at on audit evidence submitted prior to the deadline for the auditor’s report. However, future events or

conditions may cause YUNG ZIP to cease to be able to continue operations.

5. Evaluate the overall presentation, structure and content of the financial statements (including related notes) and whether the financial statements could appropriately reflect the related transactions and events. We have communicated with governance units on the planned audit range and time and important audit observations (including significant internal control shortcomings found during the audit process).

We assured the governance units about the personnel of our accounting firm, who are subject to independent regulations, acting according to the ROC CPA Code of Professional Ethics to remain neutral and also communicated with them about all relations and other matters (including related preventive measures) that could affect the independence of certified public accounts.

Based on our discussions with the governance units, we have identified the key audit matters while auditing the 2017 financial statement of YUNG ZIP. We have clearly outlined them in the auditor's report except of those matters whose public disclosure is prohibited by law or under some extremely rare circumstances if they could affect the company negatively and those negative effects would outweigh possible public benefits.

P r i c e w a t e r h o u s e C o o p e r s , T a i w a n

Shu Hua Hong

CPAs

Audrey Tseng

Securities and Futures Commission, Ministry of Finance
Approval Number:(85)Tai-Cai-Zheng(6) No. 68701
(79)Tai-Cai-Zheng (1) No. 27815

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Note to Readers

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

YUNG ZIP CHEMICAL IND. CO., LTD.
Individual Balance Sheets
Years ended Dec. 31, 2017 and 2016

Unit: Thousands of New Taiwan Dollars

Assets	Notes	2017 12 月 31 日			2016 12 月 31 日		
		A	M	O U N T %	A	M	O U N T %
Current assets							
1100	Cash and cash equivalents	6(1)	\$	29,673	5	\$	44,024 8
1150	Notes receivable, net			5,358	1		2,571 1
1170	Accounts receivable, net	6(2)		32,218	6		37,817 7
1180	Accounts receivable – related parties, net	七		26,352	5		11,254 2
130X	Inventory	6(3)		115,783	21		79,321 14
1470	Other current assets			9,580	2		8,099 1
11XX	Total current assets			<u>218,964</u>	<u>40</u>		<u>183,086 33</u>
Non-current assets							
1543	Financial assets measured by cost – non-current	6(4)		38,588	7		38,588 7
1550	Investing using equity method	6(5)		37,115	7		37,115 7
1600	Property, plant and equipment	6(6) and 8		234,286	42		260,455 47
1840	Deferred income tax assets	6(15)		15,666	3		15,663 3
1900	Other non-current assets			6,518	1		18,662 3
15XX	Total non-current assets			<u>332,173</u>	<u>60</u>		<u>370,483 67</u>
1XXX	Total assets		\$	<u>551,137</u>	<u>100</u>	\$	<u>553,569 100</u>

(Continued)

YUNG ZIP CHEMICAL IND. CO., LTD.
Individual Balance Sheets
Years ended Dec. 31, 2017 and 2016

Unit: Thousands of New Taiwan Dollars

Liabilities and Equity	Notes	2017 12 月 31 日			2016 12 月 31 日		
		A	M	O U N T %	A	M	O U N T %
Current liabilities							
2100	Short-term borrowings	6(7) and 8	\$	60,000	11	\$	40,000 7
2150	Notes payable			-	-		137 -
2170	Accounts payable	7		12,706	2		14,219 3
2200	Other payables	6(8)		30,369	6		23,014 4
2300	Other current liabilities			573	-		2,639 -
21XX	Total current liabilities			<u>103,648</u>	<u>19</u>		<u>80,009 14</u>
Non-current liabilities							
2570	Deferred income tax liabilities	6(15)		716	-		760 -
2600	Other non-current liabilities	6(9)		17,580	3		19,146 4
25XX	Total non-current liabilities			<u>18,296</u>	<u>3</u>		<u>19,906 4</u>
2XXX	Total liabilities			<u>121,944</u>	<u>22</u>		<u>99,915 18</u>
Share capital							
3110	Common stock	6(10)		423,735	77		423,735 77
Capital surplus							
3200	Capital surplus	6(11)		29,919	5		96,661 17
Retained earnings							
3350	Losses to me made-up	6(12)		(24,461)	(4)		(66,742) (12)
3XXX	Total equity			<u>429,193</u>	<u>78</u>		<u>453,654 82</u>
Significant Contingent Liabilities and Unrecognized Contract							
3X2X	Total liabilities and equity		\$	<u>551,137</u>	<u>100</u>	\$	<u>553,569 100</u>

Chairman: Chi Li Lee

President: Ching Huang Lin

Accounting Supervisor: Yu Fang Wang

YUNG ZIP CHEMICAL IND. CO., LTD.
Individual Statements of Comprehensive Income
For the years ended Dec. 31, 2017 and 2016

Unit: Thousands of New Taiwan Dollars

(Except for loss per share, expressed as New Taiwan Dollars)

Items	Notes	2017		2016	
		A M O U N T	%	A M O U N T	%
4000 Sales revenue	7	\$ 314,369	100	\$ 268,090	100
5000 Operating costs	6(3)(14) and 7	(252,512)	(81)	(266,039)	(99)
5900 Net operating margin		61,857	19	2,051	1
Operating expenses	6(14)				
6100 Selling expenses		(19,486)	(6)	(14,983)	(6)
6200 General and administrative expenses		(39,450)	(13)	(35,039)	(13)
6300 Research and development expenses		(23,622)	(7)	(22,321)	(8)
6000 Total operating expenses		(82,558)	(26)	(72,343)	(27)
6900 Operating loss		(20,701)	(7)	(70,292)	(26)
Non-operating income and expenses					
7010 Other income		603	-	5,596	2
7020 Other gains and losses	6(13)	(4,375)	(1)	(3,092)	(1)
7050 Financial costs		(642)	-	(547)	(1)
7000 Total non-operating income and expenses		(4,414)	(1)	1,957	-
7900 Loss before tax		(25,115)	(8)	(68,335)	(26)
7950 Income tax profit	6(15)	150	-	3	-
8200 Loss for the year		<u>(\$ 24,965)</u>	<u>(8)</u>	<u>(\$ 68,332)</u>	<u>(26)</u>
8311 Remeasurement of defined benefit obligation	6(9)	\$ 607	-	\$ 1,916	1
8349 Income tax benefit (expense) related to items that will not be reclassified subsequently	6(15)	(103)	-	(326)	-
8300 Total other comprehensive income for the year		<u>\$ 504</u>	<u>-</u>	<u>\$ 1,590</u>	<u>1</u>
8500 Total comprehensive income for the year		<u>(\$ 24,461)</u>	<u>(8)</u>	<u>(\$ 66,742)</u>	<u>(25)</u>
Basic loss per share	6(16)				
9750 Total basic loss per share		<u>(\$ 0.59)</u>		<u>1.61)</u>	

Chairman: Chi Li Lee

President: Ching Huang Lin

Accounting Supervisor: Yu Fang Wang

YUNG ZIP CHEMICAL IND. CO., LTD.
Individual Statements of Changes in Equity
For the years ended Dec. 31, 2017 and 2016

Unit: Thousands of New Taiwan Dollars

	Notes	Common stock	Capital surplus		Losses to be made-up	Total equity
			Additional paid-in capital	Others		
<u>For the year ended Dec. 31, 2016</u>						
Balance at Jan. 1, 2016		\$ 423,735	\$ 133,505	\$ 78	(\$ 36,922)	\$ 520,396
Additional paid-in capital loss make-up	6(12)	-	(36,922)	-	36,922	-
Net loss for the year ended		-	-	-	(68,332)	(68,332)
Other comprehensive income for the year ended		-	-	-	1,590	1,590
Balance at Dec. 31, 2016		<u>\$ 423,735</u>	<u>\$ 96,583</u>	<u>\$ 78</u>	<u>(\$ 66,742)</u>	<u>\$ 453,654</u>
<u>For the year ended Dec. 31, 2017</u>						
Balance at Jan. 1, 2017		\$ 423,735	\$ 96,583	\$ 78	(\$ 66,742)	\$ 453,654
Additional paid-in capital loss make-up	6(12)	-	(66,742)	-	66,742	-
Net loss for the year ended		-	-	-	(24,965)	(24,965)
Other comprehensive income for the year ended		-	-	-	504	504
Balance at Dec. 31, 2016		<u>\$ 423,735</u>	<u>\$ 29,841</u>	<u>\$ 78</u>	<u>(\$ 24,461)</u>	<u>\$ 429,193</u>

Chairman: Chi Li Lee

President: Ching Huang Lin

Accounting Supervisor: Yu Fang Wang

YUNG ZIP CHEMICAL IND. CO., LTD.
Individual Statements of Cash Flows
For the years ended Dec. 31, 2017 and 2016

Unit: Thousands of New Taiwan Dollars

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>			
Loss before tax for the year		(\$ 25,115)	(\$ 68,335)
Adjustments			
Revenue and loss items			
Bad debts expense (return revenue)		35	(54)
Depreciation	6(6)(十四)	56,400	57,524
Interest expenses		642	547
Disposition and retirement of property, plant and equipment loss	6(13)	49	967
Interest income		(36)	(32)
Dividend income		(317)	(496)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(2,817)	655
Accounts receivable		5,624	(3,633)
Accounts receivable-related parties		(15,128)	32,469
Inventory		(36,462)	19,430
Other current assets		(1,481)	2,944
Net changes in liabilities relating to operating activities			
Notes payable		(137)	(687)
Accounts payable		(1,513)	(2,014)
Other payables		7,717	(6,030)
Other current liabilities		(2,066)	2,179
Other non-current liabilities		(959)	(15,876)
Operations cash (outflow) inflow		(15,564)	19,558
Interest received		36	32
Dividend received		317	496
Interest paid		(642)	(547)
Net cash (outflow) inflow from operating activities		(15,853)	19,539
<u>Cash Flows from Investing Activities</u>			
Increase in long-term equity investment by the equity method		-	(1,877)
Acquisition of property, plant and equipment	6(18)	(16,392)	(6,975)
Increase in prepayment for equipment		(2,106)	(9,798)
Net cash used in investing activities		(18,498)	(18,650)
<u>Cash Flows from Financing Activities</u>			
Increase in short-term borrowings		20,000	-
Net cash inflow in financing activities		20,000	-
Cash and cash equivalents (decrease) increase for the year		(14,351)	889
Cash and cash equivalents at beginning of year	6(1)	44,024	43,135
Cash and cash equivalents at end of year	6(1)	<u>\$ 29,673</u>	<u>\$ 44,024</u>

Chairman: Chi Li Lee

President: Ching Huang Lin

Accounting Supervisor: Yu Fang Wang

YUNG ZIP CHEMICAL IND. CO., LTD.

2017 Loss Make-up Table

Unit: New
Taiwan Dollars

Items	AMOUNT
Accumulated loss at beginning of period	\$0
2017 after tax net (loss)	(24,965,025)
Defined benefit plans actuarial gain to retained earnings	503,500
Accumulated loss at end of period	(\$24,461,525)

Chairman:Chi Li Lee

President:Ching Huang Lin

Accounting Supervisor:Yu Fang Wang

4 、 Discussion Items

Proposal 1: (Proposed by the Board of Directors)

Brief: Proposed revisions to “Company Charter”

Explanation:

- 1 、 According to Financial Supervisory Commission R.O.C. (Taiwan) Order No. 1060000381 promulgated on 2017 Jan. 18, Taipei Exchange (GreTai Securities Market) Order No. 1060001575 promulgated on 2017 Jan. 24 and the Company Act, revisions to articles 1, 3, 10~13, 16, 28 are proposed.
- 2 、 See attached comparison table of revised ”Company Charter”. (Refer to pages 17~19)

Resolution:

Proposal 2: (Proposed by the Board of Directors)

Brief: Proposed revisions to “Rules for Election of Directors and Supervisors”

Explanation:

- 1 、 According to Financial Supervisory Commission R.O.C. (Taiwan) Order No. 1060000381 promulgated on 2017 Jan. 18, Taipei Exchange (GreTai Securities Market) Order No. 1060001575 promulgated on 2017 Jan. 24 and the Company Act, revisions to articles 2, 3, 4, 6, 8, 11, 12 are proposed.
- 2 、 See attached comparison table of revised ”Rules for Election of Directors and Supervisors”.(Refer to pages 20~21)

Resolution:

Proposal 3: (Proposed by the Board of Directors)

Brief: Proposal to release directors from non-competition restrictions

Explanation:

1、 According to the Company Act Article 209 Section 1: 『 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 』 , it is proposed to release newly elected directors from non-competition restrictions.

2、 Details of affected directors as follows:

Director Name	Other Business and Title
YungShin Global Holding Corporation: Chih Wei Chien	Chung Shin (JiangSu) Clinical Research Co., Ltd Director

Resolution:

5、 Other Motions

Comparison Table of Revised Company Charter

Original	Amended	Explanation of Revision
<p>Chapter I General Provisions Article 1: This company is named “YUNG ZIP CHEMICAL IND. CO., LTD.” in accordance with the Company Act.</p>	<p>Chapter I General Provisions Article 1: This company is named “YUNG ZIP CHEMICAL IND. CO., LTD.” in accordance with the Company Act., <u>English company name “YUNG ZIP CHEMICAL IND. CO., LTD.”</u></p>	Add company English name
<p>Article 3: The company is located in Taichung City, Taiwan. If necessary, it may establish branches and plants in different parts of the country or in foreign countries. Establishment and revocation of such facilities is decided by the Board of Directors.</p>	<p>Article 3: This company is located in Taichung City, <u>Republic of China</u>. When necessary, following a resolution by the Board of Directors <u>and approval by the competent authorities</u>, it may establish or revoke domestic or foreign branches or plants.</p>	Text correction
<p>Chapter III Shareholder Meetings Article 10:The shareholder meetings of the company are of two types, annual meeting of shareholders and ad hoc shareholder meetings; annual meetings of shareholders are held every year and to be convened within six months of the end of the fiscal year, and shareholders shall be notified 30 days before the annual meeting; ad-hoc meetings may be convened according to relevant laws when necessary, and shareholders shall be notified 15 days before ad hoc meetings. The notification shall state the date and location of and reasons for said meetings. Unless otherwise stipulated in the Company Act, annual meetings of shareholders are convened by the Board of Directors.</p>	<p>Chapter III Shareholder Meetings Article 10:The shareholder meetings of the company are of two types, annual meeting of shareholders and ad hoc shareholder meetings; annual meetings of shareholders are held every year and to be convened within six months of the end of the fiscal year, and shareholders shall be notified 30 days before the annual meeting; ad-hoc meetings may be convened according to relevant laws when necessary, and shareholders shall be notified 15 days before ad hoc meetings. The notification shall state the date and location of and reasons for said meetings. <u>In accordance with regulation shareholders may be notified by written or electronic means. However, shareholders with less than one thousand shares may be notified by announcement.</u> Unless otherwise stipulated in the Company Act, annual meetings of shareholders are convened by the Board of Directors.</p>	Revised according to Company Act, Article 172
<p>Article 11: A shareholder who is unable to attend a shareholder meeting may delegate the power to an agent to attend, providing a power of attorney printed by the company specifying the nature of authority. Shareholder delegation of this kind, except as provided for in Company Act Article 177, is conducted according to “Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” promulgated by the competent authorities.</p>	<p>Article 11: A shareholder who is unable to attend a shareholder meeting may delegate the power to an agent to attend, providing a power of attorney printed by the company specifying the nature of authority <u>or perform the same by electronic means</u>. Shareholder delegation of this kind, except as provided for in Company Act Article 177, is conducted according to “Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” promulgated by the competent authorities.</p>	Text correction
<p>Article 12: Resolutions by shareholders shall, unless otherwise provided for in relevant regulations, be adopted by a majority vote of the shareholders present in person or by proxy, who represent more than one-half of the total number of voting shares.</p>	<p>Article 12: Resolutions by shareholders shall, unless otherwise provided for in relevant regulations, be adopted by a majority vote of the shareholders present in person or by proxy, who represent more than one-half of the total number of voting shares. <u>According to relevant law and regulations, shareholder meeting voting may be conducted electronically. If employed, this method of voting should be clearly stated in the shareholders’ meeting notification.</u></p>	According to FSC ROC (Taiwan) 106.01.18 Jin-Guan-Zheng-Jiao-Zi No. 1060000381, Taipei Exchange 106.01.24Zheng-Gui-Jian-Zi No. 1060001575, electronic means should be listed as one of the

Original	Amended	Explanation of Revision
		channels for exercising voting rights.
<p>Article 13: Shareholders have one vote for each share in their possession, but this does not apply to shareholders who are restricted or have no voting rights under the Company Act.</p>	<p>Article 13: Shareholders have one vote for each share in their possession, <u>which may be exercised in written or electronic form</u>, but this does not apply to shareholders who are restricted or have no voting rights under the Company Act.</p>	Revised according to Company Act, Article 179
<p>Chapter IV Board of Directors Article 16: The Board of Directors of the company will have seven to nine members, three supervisors, who shall be elected by the shareholders meeting from among the persons with disposing capacity. A director shall serve a term of three years, and may continue if reelected. The total inscribed shares held by directors and supervisors are governed by the standards promulgated by the Securities and Futures Commission in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".</p> <p>The aforesaid number of directors shall include shall include at least two independent directors and may not be less than one fifth of the total director seats; a candidate nomination system is adopted for shareholders to elect from the directors' candidate list. The professional requirements and restrictions on shareholding and part-time status of independent directors and, nomination and election methods and other governing rules, are performed in accordance with regulations by the competent authority.</p> <p>Independent and non-independent directors' election shall be conducted concurrently and number to be elected calculated respectively.</p>	<p>Chapter IV Board of Directors Article 16: The Board of Directors of the company will have seven to nine members, three supervisors, who <u>by a candidate nomination system</u>, shall be elected by the shareholders <u>from the list of candidates</u>. A director shall serve a term of three years, and may continue if reelected. The total inscribed shares held by directors and supervisors <u>and the resulting ratio</u> are governed by the standards promulgated by the <u>Financial Supervisory Commission R.O.C. (Taiwan)</u> in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".</p> <p>The aforesaid number of directors shall include shall include at least two independent directors and may not be less than one fifth of the total director seats; a candidate nomination system is adopted for shareholders to elect from the directors' candidate list. The professional requirements and restrictions on shareholding and part-time status of independent directors and, nomination and election methods and other governing rules, are performed in accordance with regulations by the competent authority.</p> <p>Independent and non-independent directors' election shall be conducted concurrently and number to be elected calculated respectively.</p>	<p>1.To facilitate electronic voting methods, modify to employ candidate nomination system</p> <p>2.Revision of authority name</p>
<p>Article 28: This charter was established April 26, 1978. The first amendment was made on May 21, 1978. The second amendment was made on July 5, 1980. The third amendment was made on September 14, 1980. The fourth amendment was made on November 27, 1981. The fifth amendment was made on June 12, 1983. The sixth amendment was made on April 15, 1984. The seventh amendment was made on September 7, 1984. The eighth amendment was made on June 29, 1985. The ninth amendment was made on August 2, 1986. The tenth amendment was made on June 14, 1987. The eleventh amendment was made on June 11, 1988. The twelfth amendment was made on May 19, 1989. The thirteenth amendment was made on May 29, 1989. The fourteenth amendment was made on June 28, 1991. The fifteenth amendment was made on July 22, 1996. The sixteenth amendment was made on April 28, 1997. The seventeenth amendment was made on January 12, 1998. The eighteenth amendment was made on May 8, 1998. The nineteenth amendment was made on May 15, 1999.</p>	<p>Article 28: This charter was established April 26, 1978. The first amendment was made on May 21, 1978. The second amendment was made on July 5, 1980. The third amendment was made on September 14, 1980. The fourth amendment was made on November 27, 1981. The fifth amendment was made on June 12, 1983. The sixth amendment was made on April 15, 1984. The seventh amendment was made on September 7, 1984. The eighth amendment was made on June 29, 1985. The ninth amendment was made on August 2, 1986. The tenth amendment was made on June 14, 1987. The eleventh amendment was made on June 11, 1988. The twelfth amendment was made on May 19, 1989. The thirteenth amendment was made on May 29, 1989. The fourteenth amendment was made on June 28, 1991. The fifteenth amendment was made on July 22, 1996. The sixteenth amendment was made on April 28, 1997. The seventeenth amendment was made on January 12, 1998. The eighteenth amendment was made on May 8, 1998. The nineteenth amendment was made on May 15, 1999.</p>	

Original	Amended	Explanation of Revision
<p>The twentieth amendment was made on April 29, 2000. The twenty-first amendment was made on June 7, 2001. The twenty-second amendment was made on May 24, 2002. The twenty-third amendment was made on May 27, 2005. The twenty-fourth amendment was made on June 9, 2010. The twenty-fifth amendment was made on June 9, 2011. The twenty-sixth amendment was made on June 15, 2012. The twenty-seventh amendment was made on June 16, 2015. The twenty-eighth amendment was made on June 15, 2016.</p>	<p>The twentieth amendment was made on April 29, 2000. The twenty-first amendment was made on June 7, 2001. The twenty-second amendment was made on May 24, 2002. The twenty-third amendment was made on May 27, 2005. The twenty-fourth amendment was made on June 9, 2010. The twenty-fifth amendment was made on June 9, 2011. The twenty-sixth amendment was made on June 15, 2012. The twenty-seventh amendment was made on June 16, 2015. The twenty-eighth amendment was made on June 15, 2016. The twenty-ninth amendment was made on June XX, 2018.</p>	<p>Date of passage by shareholders' meeting</p>

**Comparison Table of Revised
Rules for Election of Directors and Supervisors**

Original	Amended	Explanation of Revision
<p>Article 2: In the election of directors and supervisors of the Company, each share has the same voting power as the number of directors or supervisors that should be selected. One person may be selected for election or the voting power may be split among multiple persons. The election of independent directors shall be governed by the nomination system of Article 192 of the Company Law. Independent directors and non-independent directors should be elected together and number of elected places calculated. Independent directors should be elected by shareholders from the list of candidates.</p>	<p>Article 2: In the election of directors and supervisors of the Company, <u>a cumulative voting system shall be employed wherein</u> each share has the same voting power as the number of directors or supervisors that should be selected. One person may be selected for election or the voting power may be split among multiple persons. The election of directors <u>and supervisors</u> shall be governed by the nomination system of Article 192 of the Company Law. Independent directors and non-independent directors should be elected together and number of elected places calculated. Independent directors should be elected by shareholders from the list of candidates.</p>	<p>1 Revision in accordance with law 2.Revise in accordance with candidate nomination voting system and electronic means of voting.</p>
<p>Article 3: The directors and supervisors of the company shall be selected by the shareholders' meeting from persons with ability to perform, and according to the number of positions stipulated in the company charter, the resulting election ballots shall represent the persons with the highest number of votes, who shall be elected as director or supervisor, respectively and in order. If two or more persons have the same number of votes and number of positions is already exceeded, the persons with the same vote tallies may draw lots. If one is not present the chairman may draw lots on behalf of the two parties.</p> <p>In the event that, by the preceding paragraph, a person is elected a director or supervisor simultaneously, he shall, before the conclusion of the shareholders' meeting, decide to act as a director or supervisor, or if the elected director or supervisor's personal information has been found inconsistent or ineligible under relevant laws and regulations, his selection shall be nullified. Qualifications of independent directors should be in accordance with the provisions of the "Public Issuing Company's Independent Directors' Establishment and Measures for Compliance."</p>	<p>Article 3: The directors and supervisors of the company shall be selected by the shareholders' meeting <u>from the candidate list</u> and according to the number of positions stipulated in the company charter, <u>voting and vote tallying carried out electronically</u>, the resulting election ballots shall represent the persons with the highest number of votes, who shall be elected as director or supervisor, respectively and in order. If two or more persons have the same number of votes and number of positions is already exceeded, the persons with the same vote tallies may draw lots. If one is not <u>in attendance</u> the chairman may draw lots on behalf of the two parties.</p> <p>In the event that the elected director or supervisor's personal information has been found inconsistent or ineligible under relevant laws and regulations, his selection shall be nullified. Qualifications of independent directors should be in accordance with the provisions of the "Public Issuing Company's Independent Directors' Establishment and Measures for Compliance."</p>	<p>1 Revise in accordance with candidate nomination system 2In accordance with Financial Supervisory Commission R.O.C. (Taiwan) 106.01.18 Jin-Guan-Zheng-Jiao-Zi No. 1060000381, Taipei Exchange 106.01.24 Zheng-Gui-Jian-Zi No.106000157 5 add electronic means as one channel to be used to exercising voting rights.</p>
<p>Article 4: Before the beginning of the election, the chairman shall appoint several personnel to serve as overseers and vote tellers and perform the relevant duties.</p>	<p>Article 4: Before the beginning of the election, the chairman shall appoint several personnel to serve as overseers and vote tellers and perform the relevant duties, <u>among them the overseer should have shareholder status.</u></p>	<p>Revision in accordance with law</p>

Original	Amended	Explanation of Revision
<p>Article 6: If the candidate is a shareholder, the elector must specify the candidate's name and shareholder's number in the "candidate" column of the ballot paper; if not, the name and uniform ID number of the candidate must be clearly stated. When the government or juristic person shareholders are the candidates, the names of the government or juristic persons and their representatives should be listed. When there are several representatives, they should be added similarly.</p>	<p>Article 6: If the candidate is a shareholder, the elector must specify the candidate's name and shareholder's number in the "candidate" column of the ballot paper; if not, the name and <u>ID number</u> of the candidate must be clearly stated. When the government or juristic person shareholders are the candidates, the names of the government or juristic persons, <u>or the names of the government or juristic persons</u> and their representatives should be listed. When there are several representatives, they should be added similarly.</p>	<p>Revision in accordance with law</p>
<p>Article 8: Ballots may be invalidated for the following reasons:</p> <ol style="list-style-type: none"> 1, Illegible writing. 2, If the selected candidate is a shareholder, his/her account name, shareholder's account number is not the same as in the shareholder's name list; if the selected voter is not a shareholder, his/her name or identity document number are inconsistent on verification.. 3, Failure to fill in the candidate's account name (name) or shareholder's account number (ID number). 4, Blank ballots. 5, Ballots containing text other than the candidate's account name (name) or shareholder's account number (ID number) and apportioned number of votes. 6, Two or more candidates appearing on the same ballot. 7, Ballots not specified in these rules. 	<p>Article 8: Ballots may be invalidated for the following reasons:</p> <ol style="list-style-type: none"> 1, <u>Not using ballots prepared by the Board of Directors.</u> 2, Blank ballots. 3, Illegible writing. 4, If the selected candidate is a shareholder, his/her account name, shareholder's account number is not the same as in the shareholder's name list; if the selected voter is not a shareholder, his/her name or identity document number are inconsistent on verification. 5, Ballots containing text other than the candidate's account name (name) or shareholder's account number (ID number) and apportioned number of votes. 6, <u>Chosen candidate's name is same as another shareholder and shareholder's account number or ID number are not written for purposes of identification.</u> 	<p>Revision in accordance with law</p>
<p>Article 11: Elected directors and supervisors shall be issued respective notices of election by the company.</p>	<p>Article 11: Elected directors and supervisors shall be issued respective notices of election by the <u>Board of Directors.</u></p>	<p>Revision in accordance with law</p>
<p>Article 12: These rules shall be implemented following passage at the shareholders' meeting, and the same applies following revisions.</p> <p>These rules were established on May 8, 1998.</p> <p>First revision on May 24, 2002.</p> <p>Second revision on June 10, 2009.</p> <p>Third revision on June 15, 2012.</p> <p>Fourth revision on June 16, 2015.</p>	<p>Article 12: These rules shall be implemented following passage at the shareholders' meeting, and the same applies following revisions.</p> <p>These rules were established on May 8, 1998.</p> <p>First revision on May 24, 2002.</p> <p>Second revision on June 10, 2009.</p> <p>Third revision on June 15, 2012.</p> <p>Fourth revision on June 16, 2015.</p> <p><u>Fifth revision on June XX, 2018.</u></p>	<p>Date of passage by shareholders' meeting.</p>

8 、 Appendices

1 、 2018 Annual Meeting of Shareholders – Status of Shareholder Proposals

- 1 、 According to the Company Act, Article 172, shareholders holding more than one percent of total issued shares, may submit a written proposal to the company for consideration at Annual Meeting of Shareholders, limited to maximum of one proposal, and maximum of three hundred characters.
- 2 、 Proposals for the 2018 Annual Meeting of Shareholders shall be handled during the application period from April 7, 2018 to April 16, 2018, and will be announced publicly in accordance with law.
- 3 、 No shareholder proposals were received during the period this year.

2 、 Shareholding of Directors and Supervisors Shareholding Figures and Minimum Shareholding Requirements

As of 2018 Apr. 16

Title	Name	Date of Election	Term	Ownership	Ownership as of Transfer Suspension Day
Director	YungShin Global Holding Corp. (代表人: Yi Hsien Lee)	106.06.14	2 Years	8,782,302	8,782,302
Director	YungShin Global Holding Corp. (代表人: Chien Chih Wei)				
Chairman	Chi Li Lee	105.06.14	3 Years	162,942	174,942
Director	Fang Chen Lee	105.06.14	3 Years	1,150,389	1,150,389
Director	Hung Wen Chiang	105.06.14	3 Years	415,090	415,090
Independent Director	Yang Tzong Tsay	105.06.14	3 Years	0	0
Independent Director	Kun Hsien Lin	105.06.14	3 Years	0	0
Total					10,522,723
Supervisor	Chao Lung Hu	105.06.14	3 Years	316,953	316,953
Supervisor	Pei Chun Chen	105.06.14	3 Years	5,000	5,000
Supervisor	Teh Ming Leu	105.06.14	3 Years	83,372	83,372
Total					405,325
Statutory Holding Requirement	All Directors				3,600,000
	All Supervisors				360,000

3 、 Rules for Election of Directors and Supervisors

YUNG ZIP CHEMICAL IND. CO., LTD.

Rules for Election of Directors and Supervisors

Article 1:

The election of the directors and supervisors of the company shall be handled in accordance with these Measures except as otherwise provided by laws or regulations.

Article 2:

In the election of directors and supervisors of the Company, each share has the same voting power as the number of directors or supervisors that should be selected. One person may be selected for election or the voting power may be split among multiple persons. The election of independent directors shall be governed by the nomination system of Article 192 of the Company Law. Independent directors and non-independent directors should be elected together and number of elected places calculated. Independent directors should be elected by shareholders from the list of candidates.

Article 3:

The directors and supervisors of the company shall be selected by the shareholders' meeting from persons with ability to perform, and according to the number of positions stipulated in the company charter, the resulting election ballots shall represent the persons with the highest number of votes, who shall be elected as director or supervisor, respectively and in order. If two or more persons have the same number of votes and number of positions is already exceeded, the persons with the same vote tallies may draw lots. If one is not present the chairman may draw lots on behalf of the two parties.

In the event that, by the preceding paragraph, a person is elected a director or supervisor simultaneously, he shall, before the conclusion of the shareholders' meeting, decide to act as a director or supervisor, or if the elected director or supervisor's personal information has been found inconsistent or ineligible under relevant laws and regulations, his selection shall be nullified. Qualifications of independent directors should be in accordance with the provisions of the "Public Issuing Company's Independent Directors' Establishment and Measures for Compliance."

Article 4:

Before the beginning of the election, the chairman shall appoint several personnel to serve as overseers and vote tellers and perform the relevant duties.

Article 5:

In the election of directors and supervisors, the board of directors separately sets up the ballot bot. Before the vote, the overseers shall open the ballot before those present for examination. After the votes are cast are separately, the overseers shall open the ballot box..

Article 6:

If the candidate is a shareholder, the elector must specify the candidate's name and shareholder's number in the "candidate" column of the ballot paper; if not, the name and uniform ID number of the candidate must be clearly stated. When the government or juristic person shareholders are the candidates, the names of the government or juristic persons and their representatives should be listed. When there are several representatives, they should be added similarly.

Article 7:

Election ballots for elections shall be sealed and signed by the overseer and kept in safe custody, and be kept for at least one year. However, if a shareholder raises a lawsuit in accordance with Article 189 of the Corporation Law, it shall be kept until the conclusion of the lawsuit...

Article 8:

Ballots may be invalidated for the following reasons:

- 1, Illegible writing.
- 2, If the selected candidate is a shareholder, his/her account name, shareholder's account number is not the same as in the shareholder's name list; if the selected voter is not a shareholder, his/her name or identity document number are inconsistent on verification..
- 3, Failure to fill in the candidate's account name (name) or shareholder's account number (ID number).
- 4, Blank ballots.

5, Ballots containing text other than the candidate's account name (name) or shareholder's account number (ID number) and apportioned number of votes.

6, Two or more candidates appearing on the same ballot.

7, Ballots not specified in these rules.

Article 9:

Ballots for election of directors and supervisors shall be printed by the Board of Directors equal in number to the number of directors and supervisors to be elected, and voting weight added, and distributed to shareholders in attendance, signing of the electors may be accomplished by using the attendance number on the attendance slip. No ballots need be issued in case of electronic voting method.

Article 10:

Ballot counting shall be performed immediately following the conclusion of voting. The result should be announced by the chairman or his proxy immediately, including names and voting weights of elected directors and supervisors.

Article 11:

Elected directors and supervisors shall be issued respective notices of election by the company.

Article 12:

These rules shall be implemented following passage at the shareholders' meeting, and the same applies following revisions.

These rules were established on May 8, 1998.

First revision on May 24, 2002.

Second revision on June 10, 2009.

Third revision on June 15, 2012.

Fourth revision on June 16, 2015.

4 · Company Charter

YUNG ZIP CHEMICAL IND. CO., LTD. Company Charter

Chapter I General Provisions

Article 1:

This company is named “YUNG ZIP CHEMICAL IND. CO., LTD.” in accordance with the Company Act.

Article 2:

The business activities of this company are as follows:

1, Manufacturing and trading drugs, medicines, agricultural chemicals, industrial chemicals and cosmetics (non-pharmaceutical) (Drugs, medicines and agricultural chemicals limited to trading in products produced by YUNG ZIP).

2, C801030 Precision Chemical Materials.

3, C802120 Industrial Catalyst Manufacturing.

4, F108021 Wholesaler of Drugs and Medicines.

5, F107070 Wholesaler of Veterinary Drugs.

6, Imports and Exports of all the above.

7, F401010 International Trade.

8, Business activities not prohibited or restricted by law except those requiring special approval.

Article 3:

The company is located in Taichung City, Taiwan. If necessary, it may establish branches and plants in different parts of the country or in foreign countries. Establishment and revocation of such facilities is decided by the Board of Directors.

Article 4:

Endorsements/guarantees provided by the company are subject to the company’s procedures for endorsements and guarantees.

Article 5:

The company may deem it necessary for the business to invest in other businesses may become a limited liability shareholder of another business by resolution of the board of directors. The total investment need not be subject to Article 13 of the Company Act stipulating the investment may not exceed 40% of the company’s paid-in capital..

Chapter II Shares

Article 6:

The capital of this company is set at NT\$700 million, divided into 70 million shares, of NT\$10 per share.

Above capital amounting to NT\$50 million, divided into 5 million shares, of NT\$10 per share, shall be retained to offer share subscription warrants, special shares under ancillary share subscription rights, shares for conversion from convertible corporate bonds; among them, the board of directors is authorized to issue the unissued shares in accordance with Company Act and other relevant regulations.

Article 7:

All the shares of the company are inscribed shares, that require signatures or personal seals of at least three directors before, before they are certified by the competent authority or issuance and registration institution approved by the competent authority. Shares may also be issued without printed stocks and such stocks may be placed in the custody of centralized securities depository services.

Article 8:

The company will offer shareholder services as per “Criteria Governing Handling of Stock Affairs by Public Stock Companies” promulgated by the securities authority.

Article 9:

Within 60 days of each annual meeting of shareholders, 30 days before each ad hoc shareholders meeting, or five days before the company decides the base date for dividend and bonus distribution or other profit; share transfer registration will be suspended.

Chapter III Shareholder Meetings

Article 10:

The shareholder meetings of the company are of two types, annual meeting of shareholders and ad hoc shareholder meetings; annual meetings of shareholders are held every year and to be convened within six months of the end of the fiscal year, and shareholders shall be notified 30 days before the annual meeting; ad-hoc meetings may be convened according to relevant laws when necessary, and shareholders shall be notified 15 days before ad hoc meetings.

The notification shall state the date and location of and reasons for said meetings.

Unless otherwise stipulated in the Company Act, annual meetings of shareholders are convened by the Board of Directors.

Article 11:

A shareholder who is unable to attend a shareholder meeting may delegate the power to an agent to attend, providing a power of attorney printed by the company specifying the nature of authority. Shareholder delegation of this kind, except as provided for in Company Act Article 177, is conducted according to "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authorities.

Article 12:

Resolutions by shareholders shall, unless otherwise provided for in relevant regulations, be adopted by a majority vote of the shareholders present in person or by proxy, who represent more than one-half of the total number of voting shares.

Article 13:

Shareholders have one vote for each share in their possession, but this does not apply to shareholders who are restricted or have no voting rights under the Company Act.

Article 14:

Shareholders meeting is convened by the Board of Directors, and chaired by the chairman, if the chairman is absent, a proxy appointed by the chairman shall chair the meeting; if not appointed by the chairman, a proxy shall be appointed by the directors; if convened by any other person having the convening right, he/she shall act as the chairman of that meeting, if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

Shareholders meetings are conducted in accordance with rules governing the proceedings of meetings of YUNG ZIP.

Article 15:

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and distributed to all shareholders of the company within twenty days after the close of the meeting.

The recording and distribution of the abovementioned minutes may be conducted electronically; distribution of minutes may also be effected by means of a public notice.

Chapter IV Board of Directors

Article 16:

The Board of Directors of the company will have seven to nine members, three supervisors, who shall be elected by the shareholders meeting from among the persons with disposing capacity. A director shall serve a term of three years, and may continue if reelected. The total inscribed shares held by directors and supervisors are governed by the standards promulgated by the Securities and Futures Commission in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".

The aforesaid number of directors shall include at least two independent directors and may not be less than one fifth of the total director seats; a candidate nomination system is adopted for shareholders to elect from the directors' candidate list. The professional requirements and restrictions on shareholding and part-time status of independent directors and, nomination and election methods and other governing rules, are performed in accordance with regulations by the competent authority.

Independent and non-independent directors' election shall be conducted concurrently and number to be elected calculated respectively.

Article 17:

The chairman shall be elected from among the directors at the Board of Directors meeting attended by at least two thirds of the directors and with the approval of the majority of the attending directors. In addition

to exercising his duties in accordance with regulations, the company charter, and resolutions of the board of directors and shareholders' meetings, the chairman shall internally preside the shareholders' meeting, the meeting of the board of directors, and the meeting of the managing directors; and shall externally represent the company. In case the chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, he/she shall appoint a director to act on his/her behalf, in case the chairman has not appointed a proxy, the directors shall choose one among themselves.

A director, if unable to appear at the meeting of the board of directors, may choose another director as proxy, and should produce a power of attorney indicating the nature of authority, but each agent may accept the delegation of one director only.

A meeting of the board of directors shall be convened once per quarter, a notice setting out reasons for convention shall be issued to all directors and supervisors seven days prior to the meeting except for meetings convened in emergencies. The meeting noticed may be issued in writing or through email or fax.

Article 18:

The company's management guidelines and important affairs, except as provided for in the Company Act or the Company Charter shall be resolved by the Board of Directors.

Article 19:

Resolutions adopted by the Board of Directors, except as otherwise provided for in the Company Act, shall be decided by a majority vote of the directors present at a meeting of the board of directors attended by at least a majority of the entire directors of the company.

Article 20:

When the number of vacancies in the board of directors equals one third of the total number of directors or all supervisors have resigned, a special meeting of shareholders shall be convened within sixty days to elect successors whose terms shall equal the remaining period of the vacancies.

Chapter V Supervisors

Article 21:

Apart from executing their other legal responsibilities, supervisors may attend meetings of the board of directors, but have no voting rights.

Chapter VI Employees

Article 22:

The company's manager's appointment, resignation and remuneration is performed in accordance with the Company Act, Article 29.

Article 23:

The president shall follow the instructions of the chairman and act according to the authority conferred by the Board of Directors to manage all the operations of the company..

Chapter VII Surplus Distribution

Article 24:

The company shall follow Jan. 1 to Dec. 31 each year as the fiscal year. The Board of Directors will prepare the following reports and statements at the close of each fiscal year and present it thirty days prior to the annual meeting of shareholders to the supervisors for auditing, and subsequently present it for ratification in the annual general meeting of shareholders:

- 1, Business Report.
- 2, Financial Statement.
- 3, The surplus earning distribution or loss off-setting proposals.

Article 25:

If there is profit at the end of the fiscal year, the company shall appropriate 1% to 15% as employee remuneration; and not more than 3% as director and supervisor remuneration. However, if the company has an accumulated deficit, the deficit is offset first.

The distribution of employee remuneration as stocks or cash, shall be resolved by a majority vote of a meeting of the board of directors attended by at least two thirds of the total directors, and reported at the meeting of shareholders.

The distribution of employee remuneration as stocks or cash may include the employees of affiliates that meet certain conditions.

Article 25-1:

The industrial environment of the company is ever changing and its corporate life cycle is in a stage of steady growth, if funds remain after meeting the final account each year, the company shall distribute the surplus in the following order:

- 1, Pay the taxes according to law.
- 2, Offset losses of previous years.
- 3, Appropriate 10% to be the statutory surplus reserve.
- 4, Appropriate certain percentages to be the special reserve as required by law.
- 5, The distribution of dividends may use one of three methods: "earnings to increase in amount of paid-in capital", capital surplus to increase in amount of capital stock, and cash dividends. If there is an appropriate investment plan that can increase the profitability of the company, then a low cash dividend ratio policy will be adopted, with surpluses or capital surpluses directed to increasing capital stock. In response, when the capital expansion affects the profitability level, then high cash dividend ratio policy will be used..
- 6, A distribution plan for the surplus and accumulated undistributed surplus for the previous year will be proposed by the Board of Directors and submitted to shareholders' meeting for ratification. The total amount of shareholder bonus should be between 10% and 90% of the accumulated undistributed earnings, of which the cash dividend should be at least 20%. However, if the stock dividend is less than 0.1 yuan per share, it may be decided by the board of directors and replaced by a cash dividend and ratified at the shareholders' meeting.

Chapter VIII Supplementary Provisions

Article 26:

All matters not covered by this charter shall be dealt with in accordance with the Company Act and relevant regulations.

Article 27: The board of directors is authorized to determine the remuneration of the directors of the company, the supervisors in proportion to the degree of participation and contribution to company's operations, and with consideration given to domestic and foreign industry standards. The company may purchase liability insurance for the directors and supervisors during their tenure in accordance with their business activities covering their legal compensation liability.

Article 28:

This charter was established April 26, 1978.

The first amendment was made on May 21, 1978.

The second amendment was made on July 5, 1980.

The third amendment was made on September 14, 1980.

The fourth amendment was made on November 27, 1981.

The fifth amendment was made on June 12, 1983.

The sixth amendment was made on April 15, 1984.

The seventh amendment was made on September 7, 1984.

The eighth amendment was made on June 29, 1985.

The ninth amendment was made on August 2, 1986.

The tenth amendment was made on June 14, 1987.

The eleventh amendment was made on June 11, 1988.

The twelfth amendment was made on May 19, 1989.

The thirteenth amendment was made on May 29, 1989.

The fourteenth amendment was made on June 28, 1991.

The fifteenth amendment was made on July 22, 1996.

The sixteenth amendment was made on April 28, 1997.

The seventeenth amendment was made on January 12, 1998.

The eighteenth amendment was made on May 8, 1998.

The nineteenth amendment was made on May 15, 1999.

The twentieth amendment was made on April 29, 2000.

The twenty-first amendment was made on June 7, 2001.
The twenty-second amendment was made on May 24, 2002.
The twenty-third amendment was made on May 27, 2005.
The twenty-fourth amendment was made on June 9, 2010.
The twenty-fifth amendment was made on June 9, 2011.
The twenty-sixth amendment was made on June 15, 2012.
The twenty-seventh amendment was made on June 16, 2015.
The twenty-eighth amendment was made on June 15, 2016.

5 · Rules of Procedures for Shareholder Meetings

YUNG ZIP CHEMICAL IND. CO., LTD.

Rules of Procedures for Shareholder Meetings

Article 1:

Except as otherwise provided for in relevant regulations, shareholders meetings for the company shall be conducted in accordance with these Rules.

Article 2:

Shareholders' meeting should have a sign-in booklet to record shareholder attendance, or otherwise record attendance by use of a check-in card. Attendance shall be calculated on the basis of the sign-in booklet or check-in card.

Article 3:

Shareholders' meeting attendance shall be calculated on the basis of number of shares.

Article 4:

The shareholders' meeting shall be conducted in the city of location of the company or place convenient for shareholders to attend and suitable for the convention of the meeting. The start time of the meeting must not be earlier than 9 am or later than 3 pm.

Article 5:

If the shareholders' meeting is convened by the board of directors, the chairman of the board of directors shall chair the meeting. If the chairman is on leave or unable to execute his power for any reason, the vice chairman of the board of directors shall act as his agent; if there is no vice chairman or the vice chairman is on leave or unable to execute his power for any reason, a managing director shall be appointed by the chairman to act as his agent; if no managing director is thus appointed, the chairman will appoint a director to act as his agent; if the chairman has not appointed a director to act as his agent, the managing directors or directors shall choose an agent from among themselves to chair the meeting. If the shareholders' meeting is convened by convener other than the board of directors, it will be chaired by said convener.

Article 6:

The company may appoint lawyers, accountants or related personnel to attend the shareholders' meeting. Meeting personnel handling shareholders' meetings should wear identification cards or badges.

Article 7:

The company should record or videotape the entire proceedings of the shareholders' meeting and save it for at least one year.

Article 8:

At the time of the meeting, the chairman shall immediately announce the meeting, however if the shareholders in attendance are insufficient to represent more than half of issued shares, the chairman may announce a delay in the meeting, the number of such delays is limited to two, and the total delay time shall not exceed one hour. If number of shareholders is still insufficient after two delays and at least sufficient shareholders to represent one third of issued shares are in attendance, a tentative resolution may be passed in accordance with Company Act Article 175 Clause 1. Before the meeting ends, if the number of shares represented by the shareholders in attendance exceeds half of the total number of issued shares, the chairman may raise the tentative resolution for a vote in accordance with Company Act Article 174.

Article 9:

If the shareholders' meeting is convened by the board of directors, the agenda shall be set by the board of directors. The meeting shall be conducted in accordance with the scheduled agenda, which may not be changed without a resolution of the shareholders' meeting.

If the shareholders' meeting is convened by convener other than the board of directors, the above stipulation applies.

If the said agenda is not fully resolved before proceedings (including other motions) have been completed, the chairman is not able to adjourn the meeting at his own discretion without putting up the matter for a resolution. After the meeting is adjourned, shareholders may not choose another chairman to continue the meeting at the original or new location; but if the chairman violates the rules of meeting procedure to adjourn the meeting, then with the agreement of at least half of the shareholders present, a new chairman may be chosen to continue

the meeting.

Article 10:

Before a statement may be made by an attending shareholder, a statement card should be filled out containing a summary of the statement to be made, the shareholder number (or attendance ID number) and name of the speaker, and the order of speakers shall be determined by the chairman.

Attending shareholders who filled out a statement card but made no statement are deemed not to have spoken; if the content of the statement is inconsistent with the summary on the statement card, the content of the verbal statement shall prevail.

When attending shareholders are making a statement, other shareholders may not interfere without seeking the approval of the chairman and the shareholder making the statement, violators shall be stopped by the chairman.

Article 11:

Each shareholder may make a statement up to two times maximum on the same motion, each time for a maximum of five minutes . Shareholders in violation of the above or whose statements exceed the scope of the topic may be stopped by the chairman.

Article 12:

When a juristic person is entrusted to a shareholders' meeting, said juristic person may only appoint one person to attend.

When a juristic person shareholder appoints two or more representatives to attend the shareholders' meeting, for each motion a maximum of one representative may make a statement.

Article 13:

After a shareholder's statement, the chairman may respond or appoint a person to respond.

Article 14:

When the chairman believes discussion of a motion as reached the point of being put up for a vote, the chairman may stop the discussion and put the motion to a vote.

Article 15:

Personnel responsible for overseeing and counting voting shall be appointed by the chairman, but the person responsible for oversight shall be a shareholder. When voting is finished, the result should be immediately announced and recorded.

Article 16:

During the course of the meeting, the chairman may declare a rest period at his discretion.

Article 17:

Except as otherwise provided for in the Company Act and company charter, motions shall be passed by a majority of shareholders in attendance. In the case of a vote, if the chairman after solicitation finds no objectors, the motion may be deemed to have passed with the same effect as that of carrying out a vote.

Article 18:

When there is an amendment or alternative to a motion, the chairman may set the voting order of said motions along with the original motion. If one of these motions is passed, the other motions shall be considered vetoed and no further voting will be required.

Article 19:

The chairman may appoint a marshal (or security officer) to maintain order at the meeting. The marshal or security officer should wear a badge indicating his status as marshal or security officer.

Article 20:

These rules take effect after being passed by the shareholders' meeting, and the same applies during revisions.