



**YUNG ZIP CHEMICAL COMPANY LIMITED**  
**Notice of 2020 Annual General Shareholders' Meeting**

**Announcements:**

Time: 2020 June 17<sup>th</sup> (Wednesday) 9:00am.

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

**Meeting Agenda**

**1 、 Call the meeting to order**

**2 、 Chairman's Address**

**3 、 Report Items**

(1) 2019 Business Report.

(2) Supervisors' Review Report on the 2019 Financial Statements.

**4 、 Ratification Items**

(1) Ratification of 2019 Business Report, Individual Financial Report and Consolidated Financial Report.

(2) Ratification of 2019 Loss Make-up Proposal.

**5 、 Discussion Items**

Prohibition on Directors from Participation in Competitive Business.

**6 、 Questions and Motions**

**7 、 Adjournment**

**Very sincerely yours,**

**Chi Li Lee**

**Chairman**

# **YUNG ZIP CHEMICAL IND. CO., LTD.**

## **Handbook for the 2020 Annual Meeting of Shareholders**

Time: 2020 June 17<sup>th</sup> (Wednesday) 9:00am.

Place: No.315 ChengKung Rd., Tachia Dist., Taichung 43744, Taiwan

## Table of Contents

<b>1</b>	<b>Meeting Agenda</b>	<b>P.1</b>
<b>2</b>	<b>Report Items</b>	<b>P.2</b>
	(1) 2019 Business Report	<b>P.3</b>
	(2) Supervisors' Review Report on 2018 Financial Statements	<b>P.6</b>
<b>3</b>	<b>Ratification Items</b>	<b>P.7</b>
	(1) Ratification of 2019 Business Report, Individual Financial Report and Consolidated Financial Report	<b>P.7</b>
	(2) Ratification of 2019 Loss Make-up Proposal	<b>P.7</b>
<b>4</b>	<b>Discussion Items</b>	<b>P.31</b>
	(1) Proposal to release directors from non-competition restrictions	<b>P.31</b>
<b>5</b>	<b>Questions and Motions</b>	<b>P.32</b>
<b>6</b>	<b>Adjournment</b>	<b>P.32</b>
<b>7</b>	<b>Appendices</b>	<b>P.33</b>
	(1) Status of Shareholder Proposals	<b>P.33</b>
	(2) Shareholding of Directors and Supervisors Shareholding Figures and Minimum Shareholding Requirements	<b>P.33</b>
	(3) Company Charter	<b>P.34</b>
	(4) Rules of Procedures for Shareholder Meetings	<b>P.39</b>

# 1 、 Meeting Agenda

## YUNG ZIP CHEMICAL IND. CO., LTD. 2020 Agenda of Annual Meeting of Shareholders

Time: 2020 June 17<sup>th</sup> (Wednesday) 9:00am.

Place: No.315 ChengKung Rd., Tachia Dist., Taichung 43744, Taiwan (R.O.C).

### 1 、 Call the meeting to order

### 2 、 Chairman's Address

### 3 、 Report Items

- (1) 2019 Business Report.
- (2) Supervisors' Review Report on 2019 Financial Statements.

### 4 、 Ratification Items

- (1) Ratification of 2019 Business Report, Individual Financial Report and Consolidated Financial Report.
- (2) Ratification of 2019 Loss Make-up Proposal.

### 5 、 Discussion Items

- (1) Proposal to release directors from non-competition restrictions.

### 6 、 Questions and Motions

### 7 、 Adjournment

## 2 、 Report Items

1. 2019 Business Report.  
(Please refer to page 3~4)
2. Supervisors' Review Report on 2019 Financial Statements.  
(Please refer to page 5)

# **YUNG ZIP CHEMICAL IND. CO., LTD.**

## **2019 Business Report**

### **1. Business Strategy**

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. Meanwhile, expanding the market into specialty chemicals and related field. 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.

### **2. Overview and Achievements of Business Implementation**

In addition that Yung Zip passed the routine inspection of Taiwan's TFDA in 2019, Yung Zip has also applied for US and EU registrations for several of our products. Meanwhile, we are also actively participating in international large-scale exhibitions to continue to expand the market of our export market. This year, we have successfully extended our market into Japanese and African markets. Also, we continue to cooperate with customers to submit DMF registrations to countries including China, the United States and the European Union.

The environmental protection, industrial safety and other policies continue to affect the supply chain of the API market in China. The prices and supply of the API raw materials and intermediates are still unstable, but Yung Zip realized the issue and has been prepared multiple qualified sources in different countries as early as possible to ensure continuous supply commitment to customers.

In addition, the Energy-Saving and Spending-Reduction Policies that Yung Zip continues to implement shows the results, too. With the growth of revenue, our operating expense ratio still maintain the same as the previous year, therefore, we've turned losses into profits this year.

Along with the production of APIs, in order to diversify our business

risks and increase the scope of our products, Yung Zip's specialty chemicals and OEM business in 2019 all benefits to the company's performance growth.

### 3. Analysis of Business Income & Expenditure and Profitability

In 2019, the net business income was NT\$416,837 thousand, which has 17% increase over the year 2018. The reasons of the revenue growth including not only the order amount of our major products is able to continue to be supplied to customers, but also the revenue of OEM and specialty chemicals has increased.

Affected by the rise in the prices of API intermediates, part of the selling prices adjusted as well as the unit cost of specialty chemicals increased. These result in the sales gross profit margin increased from 17% to 28% in 2018. At the same time, under the Spending-Reduction Policies, the operating expense ratio is equal with last year, therefore, the company turned losses into profits in 2019.

Profitability Analysis:

Items		Year 2019	Year 2018
Return on Assets Ratio		4.93	-2.44
Return On Equity (ROE)		6.62	-3.42
Paid in Capital Ratio	Operation Profit	5.17	-5.15
	Pre-Tax Income	7.39	-3.98
Net Profit Margin		7.51	-4.19
Earnings Per Share (EPS)		0.74	-0.35

### 4. Research and Development Status

In 2019, the research and development expenses were NT\$31,106 thousand, accounting for business income 7.46%.

In recent years, the company has invested in the development of raw materials such as Overactive bladder, antithrombotic, hypertension medication, progesterone and Nusinersen orphan drugs, as well as cooperating with customers to produce raw materials, intermediates and

special chemicals. In addition, Yung Zip is also commissioned by customers to develop new drugs for APIs which also increase the company's future development possibility.

## **5. Business Prospects in 2020**

Yung Zip will continue to improve the management of PIC/S GMP, optimize the produce procedure, seek opportunities for cooperation and expansion of strategic alliances in the same industry. At the same time, strengthen the control of cost and expense, develop new products, pursue sustainable business development of the enterprise, in order to create better performance and pay back to the support from shareholders.

Chairman: Chi Li Lee

President: Ching Huang Lin

Accounting Supervisor: Ching Huang Lin



# **YUNG ZIP CHEMICAL IND. CO., LTD.**

## **Supervisors' Review Report**

The Board of Directors will prepare and submit this company's 2019 financial statements (including Individual Financial Statements and Consolidated Financial Statements) along with the business report and loss make-up proposal. PricewaterhouseCoopers Taiwan (PwC Taiwan) Xu Jianye and Wang Yujuan Accountants have reviewed these statements and found no inconsistencies, the reports above are provided. The above-mentioned report is deemed to be true after reviewed by the supervisor. In accordance with Article 219 of the Company Act, the report is prepared for your review.

To  
Yung Zip 2020 Annual Meeting of Shareholders

YUNG ZIP CHEMICAL IND. CO., LTD.

Supervisor: Chao Long Hu

Supervisor: Pei Chun Chen

Supervisor: The Ming Leu

2020                      May                      11<sup>th</sup>

### **3 、 Ratification Items**

#### **Proposal 1:(Proposed by the Board of Directors)**

Brief: Ratification of 2019 Business Report, Individual Financial Statements and Consolidated Financial Statements

Explanation:

1. The 2019 Business Report (please refer to pages 3~4).
2. The Individual Financial Statements and Consolidated Financial Statements has been audited by Certified Xu Jianye and Wang Yujuan Accountants of PwC Taiwan with unqualified audit report, please refer to pages 8~29. After being reviewed by the supervisor, it is reported to the shareholders' meeting for ratification.

Resolution:

#### **Proposal 2:(Proposed by the Board of Directors)**

Brief: Ratification of 2019 Loss Make-up Proposal.

Explanation:

- 1、 The 2019 Loss Make-up Proposal. (please refer to pages 30)
- 2、 Accumulated loss at beginning of year was NT\$39,443,034, in addition to 2019 net profit after taxes of NT\$31,319,126 and defined benefit obligation actuarial loss NT\$2,252,384. Accumulated loss at end of year was NT\$10,376,292, because there is no surplus earnings to distribute shareholder bonuses, plus there is still accumulated loss, employee bonuses and director and supervisor remuneration are still unable to be distributed. Hereby submitted for your ratification.

Resolution:

## REPORT OF INDEPENDENT ACCOUNTANTS

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

### **Opinion**

We have audited the accompanying consolidated balance sheets of YUNG ZIP CHEMICAL IND. CO., LTD. and its subsidiaries (the “YUNG ZIP Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the YUNG ZIP Group as at December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for Opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the YUNG ZIP Group in accordance with the Code of Professional Ethics for Certified Public Accountants 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 for 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 YUNG ZIP Group’s consolidated financial statements of the current period are stated as follows :

#### ***Sales Income Recognition Timing***

##### Description

For accounting policies on income recognition please see financial report note 4 (21) Income Recognition explanation ; sales revenue explanation please see financial report note 6 (13).

YUNG ZIP Group’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 Group 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 Group's Property, plant and equipment for Year ended Dec. 31 2019 amounts to 181,819 thousand New Taiwan dollars, accounting for 27% of total assets.

YUNG ZIP Group engages in manufacture and sales of APIs, specialty chemicals and other related products. Fierce competition in the API market and losses by YUNG ZIP Group over consecutive years have led to signs of impairment in property, plant and equipment. YUNG ZIP Group 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.

### ***Other matters –Parent company only financial reports***

We have audited and expressed an unqualified opinion and other matter section on the parent company only financial statements of YUNG ZIP Group as at and for the years ended December 31, 2019 and 2018.

### ***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 the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International

Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 YUNG ZIP 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 YUNG ZIP Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the YUNG ZIP 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 ROC GAAS 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 ROC GAAS, 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 YUNG ZIP 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 YUNG ZIP 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 YUNG ZIP 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 YUNG ZIP Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 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.

---

[Wang, Yu-Juan]

---

[Xu, Jian-Ye]

For and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2020

YUNG ZIP CHEMICAL IND. CO., LTD.  
CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	六(一)	\$ 53,133	8	\$ 40,159	7
1150	Notes receivable, net	六(三)	1,984	-	4,136	1
1170	Accounts receivable, net	六(三)	59,851	9	50,080	8
1180	Accounts receivable due from related parties, net	七	30,495	4	33,009	5
130X	Current inventories	六(四)	164,003	24	112,273	18
1470	Other current assets		14,227	2	24,730	4
11XX	<b>Total current assets</b>		<u>323,693</u>	<u>47</u>	<u>264,387</u>	<u>43</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	六(二)	145,445	21	115,833	19
1600	Property, plant and equipment	六(五)及八	181,819	27	202,268	33
1755	Right-of-use assets	六(六)	1,680	-	-	-
1840	Deferred tax assets	六(十七)	22,569	3	22,006	4
1900	Other non-current assets		9,997	2	8,897	1
15XX	<b>Total non-current assets</b>		<u>361,510</u>	<u>53</u>	<u>349,004</u>	<u>57</u>
1XXX	<b>Total assets</b>		<u>\$ 685,203</u>	<u>100</u>	<u>\$ 613,391</u>	<u>100</u>

(Continued)

YUNG ZIP CHEMICAL IND. CO., LTD.  
CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

Liabilities and equity		Note	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2130	Current contract liabilities	六(十三)	\$ 4,364	1	\$ -	-
2150	Notes payable		-	-	1,300	-
2170	Accounts payable	七	28,151	4	27,850	5
2200	Other payables	六(七)	38,142	5	30,367	5
2280	Current lease liabilities		1,330	-	-	-
2300	Other current liabilities	六(八)	19,611	3	2,447	-
21XX	<b>Total current liabilities</b>		<u>91,598</u>	<u>13</u>	<u>61,964</u>	<u>10</u>
<b>Non-current liabilities</b>						
2540	Non-current portion of non-current borrowings	六(八)	56,250	8	75,000	12
2570	Deferred tax liabilities	六(十七)	16,626	3	12,266	2
2580	Non-current lease liabilities		359	-	-	-
2600	Other non-current liabilities	六(九)	20,004	3	18,114	3
25XX	<b>Total non-current liabilities</b>		<u>93,239</u>	<u>14</u>	<u>105,380</u>	<u>17</u>
2XXX	<b>Total liabilities</b>		<u>184,837</u>	<u>27</u>	<u>167,344</u>	<u>27</u>
<b>Share capital</b>						
		六(十)				
3110	Ordinary share		423,735	62	423,735	69
<b>Capital surplus</b>						
		六(十一)				
3200	Capital surplus		29,919	4	29,919	5
<b>Retained earnings</b>						
		六(十二)				
3350	Unappropriated retained earnings (accumulated deficit)		( 10,375)	( 1)	( 39,442)	( 6)
<b>Other equity interest</b>						
		六(二)				
3400	Other equity interest		57,087	8	31,835	5
3XXX	<b>Total equity</b>		<u>500,366</u>	<u>73</u>	<u>446,047</u>	<u>73</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 685,203</u>	<u>100</u>	<u>\$ 613,391</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements



YUNG ZIP CHEMICAL IND. CO., LTD.  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Accounting Title	Note	2019		2018	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	六(十三)及七	\$ 416,837	100	\$ 357,090	100
5000 <b>Operating costs</b>	六(四)(十六)及七	( 300,107)	( 72)	( 296,175)	( 83)
5900 <b>Gross profit (loss) from operations</b>		<u>116,730</u>	<u>28</u>	<u>60,915</u>	<u>17</u>
<b>Operating expenses</b>	六(十六)				
6100 Selling expenses		( 19,285)	( 5)	( 16,273)	( 5)
6200 Administrative expenses		( 44,414)	( 11)	( 39,976)	( 11)
6300 Research and development expenses		( 31,106)	( 7)	( 26,489)	( 7)
6000 <b>Total operating expenses</b>		<u>( 94,805)</u>	<u>( 23)</u>	<u>( 82,738)</u>	<u>( 23)</u>
6900 <b>Net operating income (loss)</b>		<u>21,925</u>	<u>5</u>	<u>( 21,823)</u>	<u>( 6)</u>
<b>Non-operating income and expenses</b>					
7010 Other income	六(十四)	12,056	3	4,294	1
7020 Other gains and losses	六(十五)	( 1,770)	( 1)	1,575	-
7050 Finance costs		( 892)	-	( 885)	-
7000 <b>Total non-operating income and expenses</b>		<u>9,394</u>	<u>2</u>	<u>4,984</u>	<u>1</u>
7900 <b>Profit (loss) from continuing operations before tax</b>		31,319	7	( 16,839)	( 5)
7950 Tax expense (income)	六(十七)	-	-	1,882	1
8200 <b>Profit (loss) from continuing operations</b>		<u>\$ 31,319</u>	<u>7</u>	<u>(\$ 14,957)</u>	<u>( 4)</u>
<b>Items that will not be reclassified subsequently to profit or loss :</b>					
8311 Gains (losses) on remeasurements of defined benefit plans	六(九)	(\$ 2,815)	-	(\$ 1,227)	( 1)

(Continued)

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Accounting Title	Note	2019		2018	
		Amount	%	Amount	%
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	六(二)	29,612	7 (	15,354)	( 4)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	六(十七)	( 3,797)	( 1)	3,263	1
8300 <b>Other comprehensive income, net</b>		<u>\$ 23,000</u>	<u>6</u>	<u>(\$ 13,318)</u>	<u>( 4)</u>
8500 <b>Total comprehensive income</b>		<u>\$ 54,319</u>	<u>13</u>	<u>(\$ 28,275)</u>	<u>( 8)</u>
<b>Profit (loss), attributable to:</b>					
8610 Profit (loss), attributable to owners of parent		<u>\$ 31,319</u>	<u>7</u>	<u>(\$ 14,957)</u>	<u>( 4)</u>
<b>Comprehensive income attributable to:</b>					
8710 Comprehensive income, attributable to owners of parent		<u>\$ 54,319</u>	<u>13</u>	<u>(\$ 28,275)</u>	<u>( 8)</u>
<b>Basic earnings (loss) per share</b>					
9750 <b>Total basic earnings (loss) per share</b>	六(十八)	<u>\$</u>	<u>0.74</u>	<u>(\$</u>	<u>0.35)</u>

The accompanying notes are an integral part of the consolidated financial statements.

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)

	Note	Capital surplus			Retained earnings		Total equity
		Ordinary share	Additional Paid-In Capital	Other	Unappropriated retained earnings (accumulated deficit)	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	
<u>2018</u>							
BALANCE, JANUARY 1, 2018		\$ 423,735	\$ 29,841	\$ 78	(\$ 24,461)	\$ -	\$ 429,193
Effects of retrospective application and retrospective restatement		-	-	-	-	45,129	45,129
BALANCE after adjustments, JANUARY 1, 2018		423,735	29,841	78	(24,461)	45,129	474,322
Profit (loss), 2018		-	-	-	(14,957)	-	(14,957)
Other comprehensive income, 2018		-	-	-	(24)	(13,294)	(13,318)
Total comprehensive income		-	-	-	(14,981)	(13,294)	(28,275)
BALANCE, DECEMBER 31, 2018		\$ 423,735	\$ 29,841	\$ 78	(\$ 39,442)	\$ 31,835	\$ 446,047
<u>2019</u>							
BALANCE, JANUARY 1, 2019		\$ 423,735	\$ 29,841	\$ 78	(\$ 39,442)	\$ 31,835	\$ 446,047
Profit (loss), 2019		-	-	-	31,319	-	31,319
Other comprehensive income, 2019		-	-	-	(2,252)	25,252	23,000
Total comprehensive income		-	-	-	29,067	25,252	54,319
BALANCE, DECEMBER 31, 2019		\$ 423,735	\$ 29,841	\$ 78	(\$ 10,375)	\$ 57,087	\$ 500,366

The accompanying notes are an integral part of the consolidated financial statements.

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(In Thousands of New Taiwan Dollars)

	Note	2019	2018
<u>Cash flows from operating activities</u>			
Profit (loss) before tax		\$ 31,319	(\$ 16,839)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	六(三)	485	( 181 )
Depreciation expense	六(五)(六)(十六)	39,416	49,526
Amortization expense	六(十六)	399	367
Interest expense		893	885
Loss (gain) on disposal of property, plan and equipment	六(十五)	288	-
Interest income		( 110 )	( 41 )
Dividend income		( 317 )	( 80 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,152	1,276
Accounts receivable		( 10,256 )	( 17,789 )
Accounts receivable due from related parties		2,514	( 6,603 )
Inventories		( 51,730 )	3,510
Other current assets		10,503	( 15,150 )
Changes in operating liabilities			
Notes payable		( 1,300 )	1,300
Accounts payable		301	15,144
Other payable		4,810	( 293 )
Other current liabilities		2,749	1,874
Other non-current liabilities		( 925 )	( 693 )
Cash inflow (outflow) generated from operations		31,191	16,213
Interest received		110	41
Dividends received		317	80
Interest paid		( 862 )	( 885 )
Net cash flows from operating activities		<u>30,756</u>	<u>15,449</u>
<u>Cash flows from investing activities</u>			
Acquisition of property, plant and equipment	六(二十)	( 14,670 )	( 15,467 )
Acquisition of intangible assets		-	( 4,000 )
Decrease in prepayments for business facilities		-	600
Increase in other non-current assets		-	( 1,096 )
Increase in refundable deposits		( 1,500 )	-
Net cash flows from investing activities		<u>( 16,170 )</u>	<u>( 19,963 )</u>

(Continued)

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(In Thousands of New Taiwan Dollars)

	Note	2019	2018
<u>Cash flows from financing activities</u>	六(二十一)		
Increase in short-term loans		-	175,000
Decrease in short-term loans		-	( 235,000 )
Proceeds from long-term debt		-	75,000
Payments of lease liabilities	六(六)	( 1,612 )	-
Net cash flows from financing activities		( 1,612 )	15,000
Net increase (decrease) in cash and cash equivalents		12,974	10,486
Cash and cash equivalents at beginning of period	六(一)	40,159	29,673
Cash and cash equivalents at end of period	六(一)	<u>\$ 53,133</u>	<u>\$ 40,159</u>

The accompanying notes are an integral part of the consolidated financial statements.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### **Opinion**

We have audited the accompanying parent company only balance sheets of YUNG ZIP CHEMICAL IND. CO., LTD (the “Company”) as at December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only 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 audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants 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 for 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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 Company’s parent company only financial statements of the current period are stated as follows :

#### ***Sales Income Recognition Timing***

##### Description

For accounting policies on income recognition please see financial report note 4 (21) Income Recognition explanation ; sales revenue explanation please see financial report note 6 (14).

Company’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. Company 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. Company's Property, plant and equipment for Year ended Dec. 31 2019 amounts to 181,819 thousand New Taiwan dollars, accounting or 27% of total assets.

Company engages in manufacture and sales of APIs, specialty chemicals and other related products. Fierce competition in the API market and losses by Company over consecutive years have led to signs of impairment in property, plant and equipment. Company 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 parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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, including audit committee, are responsible for overseeing the Company's financial reporting process.

### ***Auditor's responsibilities for the audit of the parent company only 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 ROC GAAS 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 parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group 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 parent company only 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.

---

[Wang, Yu-Juan]

---

[Xu, Jian-Ye]

For and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2020

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	六(一)	\$ 53,133	8	\$ 40,159	7
1150	Notes receivable, net	六(三)	1,984	-	4,136	1
1170	Accounts receivable, net	六(三)	59,851	9	50,080	8
1180	Accounts receivable due from related parties, net	七	30,495	4	33,009	5
130X	Current inventories	六(四)	164,003	24	112,273	18
1470	Other current assets		14,227	2	24,730	4
11XX	<b>Total current assets</b>		<u>323,693</u>	<u>47</u>	<u>264,387</u>	<u>43</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	六(二)及十二(三)	30,983	5	21,158	4
1550	Investments accounted for using equity method	六(五)	114,462	17	94,675	15
1600	Property, plant and equipment	六(六)及八	181,819	27	202,268	33
1755	Right-of-use assets	六(七)	1,680	-	-	-
1840	Deferred tax assets	六(十七)	22,569	3	22,006	4
1900	Other non-current assets		9,997	1	8,897	1
15XX	<b>Total non-current assets</b>		<u>361,510</u>	<u>53</u>	<u>349,004</u>	<u>57</u>
1XXX	<b>Total assets</b>		<u>\$ 685,203</u>	<u>100</u>	<u>\$ 613,391</u>	<u>100</u>

(Continued)

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

Liabilities and equity	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2130	Current contract liabilities	六(十四)	\$ 4,364	1	\$ -	-
2150	Notes payable		-	-	1,300	-
2170	Accounts payable	七	28,151	4	27,850	5
2200	Other payables	六(八)	38,142	5	30,367	5
2280	Current lease liabilities		1,330	-	-	-
2300	Other current liabilities	六(九)	19,611	3	2,447	-
21XX	<b>Total current liabilities</b>		<u>91,598</u>	<u>13</u>	<u>61,964</u>	<u>10</u>
<b>Non-current liabilities</b>						
2540	Non-current portion of non-current borrowings	六(九)	56,250	8	75,000	12
2570	Deferred tax liabilities	六(十七)	16,626	3	12,266	2
2580	Non-current lease liabilities		359	-	-	-
2600	Other non-current liabilities	六(十)	20,004	3	18,114	3
25XX	<b>Total non-current liabilities</b>		<u>93,239</u>	<u>14</u>	<u>105,380</u>	<u>17</u>
2XXX	<b>Total liabilities</b>		<u>184,837</u>	<u>27</u>	<u>167,344</u>	<u>27</u>
<b>Share capital</b>						
3110	Ordinary share	六(十一)	423,735	62	423,735	69
<b>Capital surplus</b>						
3200	Capital surplus	六(十二)	29,919	4	29,919	5
<b>Retained earnings</b>						
3350	Unappropriated retained earnings (accumulated deficit)	六(十三)	( 10,375)	( 1)	( 39,442)	( 6)
<b>Other equity interest</b>						
3400	Other equity interest	六(二)	57,087	8	31,835	5
3XXX	<b>Total equity</b>		<u>500,366</u>	<u>73</u>	<u>446,047</u>	<u>73</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 685,203</u>	<u>100</u>	<u>\$ 613,391</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

YUNG ZIP CHEMICAL IND. CO., LTD.  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Accounting Title	Note	2019		2018	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	六(十四)及七	\$ 416,837	100	\$ 357,090	100
5000 <b>Operating costs</b>	六(四)(十七)及七	( 300,107)	( 72)	( 296,175)	( 83)
5900 <b>Gross profit (loss) from operations</b>		116,730	28	60,915	17
<b>Operating expenses</b>	六(十七)				
6100 Selling expenses		( 19,285)	( 5)	( 16,273)	( 5)
6200 Administrative expenses		( 44,414)	( 11)	( 39,976)	( 11)
6300 Research and development expenses		( 31,106)	( 7)	( 26,489)	( 7)
6000 <b>Total operating expenses</b>		( 94,805)	( 23)	( 82,738)	( 23)
6900 <b>Net operating income (loss)</b>		21,925	5	( 21,823)	( 6)
<b>Non-operating income and expenses</b>					
7010 Other income	六(十五)	12,056	3	4,294	1
7020 Other gains and losses	六(十六)	( 1,770)	( 1)	1,575	-
7050 Finance costs		( 892)	-	( 885)	-
7000 <b>Total non-operating income and expenses</b>		9,394	2	4,984	1
7900 <b>Profit (loss) from continuing operations before tax</b>		31,319	7	( 16,839)	( 5)
7950 Tax expense (income)	六(十八)	-	-	1,882	1
8200 <b>Profit (loss) from continuing operations</b>		\$ 31,319	7	(\$ 14,957)	( 4)
<b>Items that will not be reclassified subsequently to profit or loss :</b>					
8311 Gains (losses) on remeasurements of defined benefit plans	六(十)	(\$ 2,815)	( 1)	(\$ 1,227)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	六(二)	9,825	3	( 6,370)	( 2)

(Continued)

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Accounting Title	Note	2019		2018	
		Amount	%	Amount	%
8330 Share of other comprehensive income (loss) of Associates & Joint Ventures Accounted for Using Equity Method that will not be reclassified subsequently to profit or loss		19,787	5 (	8,984)	( 3)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	六(十七)	( 3,797)	( 1)	3,263	1
8300 <b>Other comprehensive income, net</b>		<u>\$ 23,000</u>	<u>6</u>	(\$ 13,318)	( 4)
8500 <b>Total comprehensive income</b>		<u>\$ 54,319</u>	<u>13</u>	(\$ 28,275)	( 8)
<b>Basic earnings (loss) per share</b>	六(十八)				
9750 <b>Total basic earnings (loss) per share</b>		<u>\$</u>	<u>0.74</u>	(\$	<u>0.35</u> )

The accompanying notes are an integral part of the parent company only financial statements.

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)

	Note	Capital surplus			Retained earnings		Total equity
		Ordinary share	Additional Paid-In Capital	Other	Unappropriated retained earnings (accumulated deficit)	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	
<u>2018</u>							
BALANCE, JANUARY 1, 2018		\$ 423,735	\$ 29,841	\$ 78	(\$ 24,461)	\$ -	\$ 429,193
Effects of retrospective application and retrospective restatement		-	-	-	-	45,129	45,129
BALANCE after adjustments, JANUARY 1, 2018		423,735	29,841	78	(24,461)	45,129	474,322
Profit (loss), 2018		-	-	-	(14,957)	-	(14,957)
Other comprehensive income, 2018		-	-	-	(24)	(13,294)	(13,318)
Total comprehensive income		-	-	-	(14,981)	(13,294)	(28,275)
BALANCE, DECEMBER 31, 2018		\$ 423,735	\$ 29,841	\$ 78	(\$ 39,442)	\$ 31,835	\$ 446,047
<u>2019</u>							
BALANCE, JANUARY 1, 2019		\$ 423,735	\$ 29,841	\$ 78	(\$ 39,442)	\$ 31,835	\$ 446,047
Profit (loss), 2019		-	-	-	31,319	-	31,319
Other comprehensive income, 2019		-	-	-	(2,252)	25,252	23,000
Total comprehensive income		-	-	-	29,067	25,252	54,319
BALANCE, DECEMBER 31, 2019		\$ 423,735	\$ 29,841	\$ 78	(\$ 10,375)	\$ 57,087	\$ 500,366

The accompanying notes are an integral part of the parent company only financial statements.

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(In Thousands of New Taiwan Dollars)

	Note	2019	2018
<u>Cash flows from operating activities</u>			
Profit (loss) before tax		\$ 31,319	(\$ 16,839)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense		485	( 181 )
Depreciation expense	六(六)(七)(十六)	39,416	49,526
Amortization expense		399	367
Interest expense		893	885
Loss (gain) on disposal of property, plant and equipment	六(十五)	288	-
Interest income		( 110 )	( 41 )
Dividend income		( 317 )	( 80 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,152	1,276
Accounts receivable		( 10,256 )	( 17,789 )
Accounts receivable due from related parties		2,514	( 6,603 )
Inventories		( 51,730 )	3,510
Other current assets		10,503	( 15,150 )
Changes in operating liabilities			
Notes payable		( 1,300 )	1,300
Accounts payable		301	15,144
Other payable		4,810	( 293 )
Other current liabilities		2,749	1,874
Other non-current liabilities		( 925 )	( 693 )
Cash inflow (outflow) generated from operations		31,191	16,213
Interest received		110	41
Dividends received		317	80
Interest paid		( 862 )	( 885 )
Net cash flows from operating activities		<u>30,756</u>	<u>15,449</u>
<u>Cash flows from investing activities</u>			
Acquisition of property, plant and equipment	六(二十)	( 14,670 )	( 15,467 )
Acquisition of intangible assets		-	( 4,000 )
Decrease in prepayments for business facilities		-	600
Increase in other non-current assets		-	( 1,096 )
Increase in refundable deposits		( 1,500 )	-
Net cash flows from investing activities		<u>( 16,170 )</u>	<u>( 19,963 )</u>

(Continued)

YUNG ZIP CHEMICAL IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(In Thousands of New Taiwan Dollars)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<u>Cash flows from financing activities</u>	六(二十一)		
Increase in short-term loans		-	175,000
Decrease in short-term loans		-	( 235,000 )
Proceeds from long-term debt		-	75,000
Payments of lease liabilities	六(七)	( 1,612 )	-
Net cash flows from financing activities		( 1,612 )	15,000
Net increase (decrease) in cash and cash equivalents		12,974	10,486
Cash and cash equivalents at beginning of period	六(一)	40,159	29,673
Cash and cash equivalents at end of period	六(一)	<u>\$ 53,133</u>	<u>\$ 40,159</u>

The accompanying notes are an integral part of the parent company only financial statements.



## 2019 Loss Make-up Table

Unit: New Taiwan Dollars

Items	AMOUNT
Accumulated loss at beginning of period	(\$39,443,034)
2019 after tax net (profit)	31,319,126
Defined benefit plans actuarial gain to retained earnings	(2,252,384)
Accumulated loss at end of period	(\$10,376,292)

## 4 、 Discussion Items

### Proposal 1: (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, please review and discuss:

Title	Director Name	Other Business and Title
Chairman	Chi Li Lee	Yung Shin Pharmaceutical Industrial Co. (YSP) YungShin Pharm. Ind. (KS) Co., Ltd. Yung Shin (HK) Company Limited Shanghai Yung Zip Pharm. Trading Co., Ltd. CHEMIX INC. CARLSBAD TECHNOLOGY, INC. Chung Shin (JiangSu) Clinical Research Co., Ltd Jiangsu Farmtec Research Co.,Ltd. Shanghai YouKang Trading Co., Ltd.

Resolution:

## **5 、 Questions and Motions**

## **6 、 Adjournment**

## 7、Appendices

### 1、2020 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 2020 Annual Meeting of Shareholders shall be handled during the application period from April 10 to 20<sup>th</sup>, 2020, and will be announced publicly on “Market Observation Post System” in accordance with law.
- 3、No shareholder proposals were received during the period this year.

### 2、Shareholding of Directors and Supervisors and All Shareholders’ Minimum Shareholding Figures

As of Apr.19<sup>th</sup> 2020

Title	Name	Date of Election	Term	Ownership	Ownership as of Transfer Suspension Day
Chairman	Chi Li, Lee	2019.06.21	3 years	174,942	174,942
Director	YungShin Global Holding Corp.(Rep.:Yi Hsien, Lee)	2019.06.21	3 Years	8,817,302	8,817,302
Director	YungShin Global Holding Corp.(Rep.:Chih Wei, Chien)				
Director	Fang Chen, Lee	2019.06.21	3 Years	1,235,389	1,235,389
Director	Hung Wen, Chiang	2019.06.21	3 Years	415,090	415,090
Independent Director	Yang Tzong, Tsai	2019.06.21	3 Years	0	0
Independent Director	Tzi Sheng, Wu	2019.06.21	3 Years	0	0
<b>Total</b>					10,642,723
Supervisor	Chao Lung Hu	2019.06.21	3 Years	316,953	316,953
Supervisor	Pei Chun Chen	2019.06.21	3 Years	5,000	5,000
Supervisor	Teh Ming Leu	2019.06.21	3 Years	83,372	83,372
<b>Total</b>					405,325
<b>Statutory Holding Requirement</b>	<b>All Directors</b>				3,600,000
	<b>All Supervisors</b>				360,000

### 3 、 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. C802041 Drugs and Medicines Manufacturing.
2. C801030 Precision Chemical Materials.
3. C802120 Industrial Catalyst Manufacturing.
4. F108021 Wholesaler of Drugs and Medicines.
5. F107070 Wholesaler of Veterinary Drugs.
6. C802060 Veterinary Drugs Manufacturing.
7. F401010 International Trading.
8. C802100 Cosmetic Manufacturing.
9. C802990 Other Chemical Products Manufacturing.
10. F107200 Wholesaler of Chemical Raw Materials.
11. F108031 Wholesaler of Medical Equipment.
12. F108040 Wholesaler of Cosmetics.
13. ZZ99999 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, once agreed by Board of Directors and approved by local authorities, it may establish or revocation branches and plants in different parts of the country or in foreign countries.

##### 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 suck 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 shareholder 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. The shareholders can be notified in both writing or electronically style in accordance with laws and regulations. However, for shareholders with less than 1,000 shares, the announcement will be sufficient. 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. The election subjects of the shareholders' meeting may be performed electronically in accordance with relevant laws and regulations. When performing the voting electronically, the method of election shall be stated in the notice of the shareholders' meeting.

**Article 13:**

Shareholders have one vote for each share in their possession, the election can be performed in both writing or electronically style, 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 effective 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 followed nomination system and elected by the shareholders meeting from the candidates. 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 Financial Supervisory Commission in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".

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.

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 more than half 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 are 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. Employee compensation is distributed to stocks or cash including employees of subordinate companies 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 listed or returned specially by law.
5. The distribution of dividends may use one of three methods: "Earnings to increase in amount of paid-in capital, Capital reserve transfer to capital increase 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.

The twenty-ninth amendment was made on June 14, 2018.

The thirtieth amendment was made on June 21, 2019.

## **4 、 Rules of Procedures for Shareholder Meetings**

### **YUNG ZIP CHEMICAL IND. CO., LTD.**

#### **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 postpones 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.