

Stock Code: 4137

Chlitina Holding Limited

2018 Annual Report

Annual report is available at: MOPS - <http://mops.twse.com.tw>

Company website: <http://www.chlitina.com>

Prepared by Chlitina Holding Limited | Published on Tuesday, May 07, 2019

I. Name, Title, Contact Tel. and E-mail for Spokesperson and Deputy Spokesperson

Spokesperson:

Name: Hu, An-Rong

Title: Director, Accounting and Investor Relations

TEL.: (886)2-27238666 E-mail: ir@chlitinaholding.com

Deputy Spokesperson:

Name: MARCOUT Laurence, Jeanne, Marie, Guigone

Title: Manager, Chairperson Office

TEL.: (886)2-27238666 E-mail: ir@chlitinaholding.com

II. Address and Tel. of Headquarters, Branches and Plant

(I) The Company

Name: Chlitina Holding Limited Website: <http://www.chlitina.com>

Address: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands TEL.: (886)2-27238666

(II) Subsidiaries and Branches:

1. Subsidiary:

Name: Chlitina Group Limited Website: <http://www.chlitina.com>

Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands TEL.: (886)2-27238666

Name: Chlitina International Limited Website: <http://www.chlitina.com>

Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands TEL.: (886)2-27238666

Name: Chlitina Intelligence Limited Website: <http://www.chlitina.com>

Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands TEL.: (886)2-27238666

Name: W-Amber International Limited Website: <http://www.chlitina.com>

Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands TEL.: (886)2-27238666

Name: W-Champion International Limited Website: <http://www.chlitina.com>

Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands TEL.: (886)2-27238666

Name: C-Asia International Limited Website: <http://www.chlitina.com>

Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands TEL.: (886)2-27238666

Name: Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	Website: http://www.chlitina.com
Address: 102, avenue des Champs Elysées, 75008 Paris	TEL.: (886)2-27238666
Name: Hong Kong Chlitina International Limited	Website: http://www.chlitina.com
Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	TEL.: (852)-23763068
Name: Chlitina Marketing Limited	Website: http://www.chlitina.com
Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	TEL.: (886)2-27238666
Name: W-Amber Marketing Limited	Website: http://www.chlitina.com
Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	TEL.: (886)2-27238666
Name: W-Champion Marketing Limited	Website: http://www.chlitina.com
Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	TEL.: (886)2-27238666
Name: Hong Kong W-Amber International Limited	Website: http://www.chlitina.com
Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	TEL.: (852)-23763068
Name: Hong Kong W-Champion International Limited	Website: http://www.chlitina.com
Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	TEL.: (852)-23763068
Name: Hong Kong C-Asia International Limited	Website: http://www.chlitina.com
Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	TEL.: (852)-23763068
Name: Chlitina (China) Trade Limited	Website: http://www.chlitina.com.cn
Address: Building F, Room 1201, 1033 Zhaojiabang Road, Xuhui District, Shanghai City, China	TEL.: (86)21-22201388
Name: Weishuo (Shanghai) Daily Product Limited	Website: http://www.chlitina.com.cn
Address: 1F and 3F of Building 2, No.58, Jingxi Rd., Songjiang Industrial Park, Shanghai City, China	TEL.: (86)21-57075707

Name: Wuguan (Shanghai) Trade Limited Website: <http://www.chlitina.com.cn>
Address: Site B81, 2F, Building 2, No.251, Jihying S. Rd., TEL.: (86)21-22201388
Pilot Free Trade Zone, Shanghai City, China

Name: Weihu (Shanghai) Trade Limited Website: <http://www.chlitina.com>
Address: Room 213, No.1, Alley 180, Shanxi S. Rd., Xuhui TEL.: (86)21-22201388
District, Shanghai City, China

Name: Jingya (Shanghai) Trade Limited Website: <http://www.chlitina.com.cn>
Address: Room 315, 3F, No.238 Shaanxi S. Road, Xuhui TEL.: (86)21-22201388
District, Shanghai City, China

Name: Shanghai Yuanshuo Management Consulting Website: <http://www.chlitina.com.cn>
Limited TEL.: (86)21-22201388
Address: Room 320, 9F, No.583 Lingling Rd., Xuhui District,
Shanghai City, China

Name: Beijing Yapulide Medical Cosmetology Clinic Website: <http://www.chlitina.com.cn>
Limited TEL.: (86)21-22201388
(Changed from Beijing Aobaojia Medical
Cosmetology Clinic Limited)
Address: Room 107, Building No.23, Tianshuiyuan,
Chaoyang District, Beijing City, China

Name: Cui Jie (Shanghai) Trading Co., Ltd. Website: <http://www.chlitina.com.cn>
Address: Site 332, 3F, Building 1, No.310, Fassai Rd., Pilot TEL.: (86)21-22201388
Free Trade Zone, Shanghai City, China

2. Branch:

Name: British Virgin IS. Chlitina Marketing Limited Website: <http://www.chlitina.com>
Address: 10F, No.107, Songren Rd., Xinyi District, Taipei TEL.: (886)2-27238666
City

Name: British Virgin IS., Chlitina Intelligence Limited Website: <http://www.chlitina.com>
Address: 10F, No.107, Songren Rd., Xinyi District, Taipei TEL.: (886)2-27238666
City

Name: Chlitina (China) Trade Limited, Ningbo Haishu Website: <http://www.chlitina.com.cn>
Branch TEL.: (86)574-87354885
Address: Room 9-7, No.8, Lengjing Street, Haishu District,
Ningbo City, Zhejiang, China

Name: Chlitina (China) Trade Limited, Dalian Branch Website: <http://www.chlitina.com.cn>
Address: Room 2209, Hongyuan Building, No.23, Renmin TEL.: (86)411-82563000
Rd., Zhongshan District, Dalian City, Liaoning,

China

Name: Chlitina (China) Trade Limited, Jiangxi Branch	Website: http://www.chlitina.com.cn
Address: Room 1011, Site A, Building 16, HengmaoGuojiHuacheng, No.205, Guangchang South Rd., Xihu District, Nanchang City, Jiangxi Province, China	TEL.: (86)791-86100920
Name: Chlitina (Shanghai) Trade Limited, Beijing Branch	Website: http://www.chlitina.com.cn
Address: 201, 2F, No.11, Dongda Rd., Zhushikou, Dongcheng District, Beijing City, China	TEL.: (86) 10-87923880
Name: Chlitina (Shanghai) Trade Limited, Tianjin Branch	Website: http://www.chlitina.com.cn
Address: No.20-1, Pingan St., Hebei District, Tianjin City, China	TEL.: (86) 22-58656188
Name: Chlitina (Shanghai) Trade Limited, Chengdu Branch	Website: http://www.chlitina.com.cn
Address: No.228, ZhiquanSectuon, Dongda St., Jinjiang District, Chengdu City, China	TEL.: (86) 28-86139017
Name: Chlitina (China) Trade Limited, Chengdu Second Branch	Website: http://www.chlitina.com.cn
Address: Chlitina (China) Trade Limited, Chengdu Second Branch	TEL.: (86) 28-86132535
Name: Chlitina (China) Trade Limited, Changning Branch	Website: http://www.chlitina.com.cn
Address: Room 805, No.666, Huaihai W. Rd., Shanghai City, China	TEL.: (86)21-22201388
Name: Chlitina (China) Trade Limited, Hebei Branch	Website: http://www.chlitina.com.cn
Address: Room 1632, Ximei Building, No.6, Jianshe S. Main St., Shijiazhuang City, Hebei Province, China	TEL.: (86)311-66611366
Name: Chlitina (China) Trade Limited, Fujian Branch	Website: http://www.chlitina.com.cn
Address: 01-03, 05-06, 55F., Building Shiowangzhuangcheng 2#F, No.19, Jinlian Rd., Jinan District, Fuzhou City, Fujian Province, China	TEL.: (86)591-87388010
Name: Chlitina (China) Trade Limited, Shaanxi Branch	Website: http://www.chlitina.com.cn
Address: Room 301, 3F, Jinding Building, No. 116, Heping Rd., Xian City, Shanxi Province, China	TEL.: (86)29-87206345
Name: Chlitina (China) Trade Limited, Wenzhou Branch	Website: http://www.chlitina.com.cn
Address: Room 2101, Building 1, Jaohang Plaza, Station Avenue, Wenzhou City, Zhejiang Province, China	TEL.: (86)577-88309620
Name: Chlitina (China) Trade Limited, Xuhui Branch	Website: http://www.chlitina.com.cn
Address: No.2, Alley 1390, Huaihai W. Rd., Xuhui District, Shanghai City, China	TEL.: (86)21-22201388
Name: Chlitina (China) Trade Limited, Nanjing Qinhuai Branch	Website: http://www.chlitina.com.cn TEL.: (86)25-52601169

Address: 401-403, 405-411, No.80, Jiqing Rd., Qinhuai
District, Nanjing City, Jiangsu Province, China

Name: Chlitina (China) Trade Limited, Shandong Branch Website: <http://www.chlitina.com.cn>
Address: Room 1030, Tianye International Tower, No. 264, TEL.: (86)531-86905166
Quancheng Road, Lixia District, Jinan City,
Shandong Province, China

Name: Chlitina (China) Trade Limited, Jilin Branch Website: <http://www.chlitina.com.cn>
Address: Room 1514, 15F., Building 2, Hengxing TEL.: (86)21-22201388
International Building, Jiefangda Road and Dajing
Road Intersection, Nanguan District, Changchun
City, Jilin Province, China

III. Name, Address, Website and Tel. for Stock Transfer Organization

Name: Share Administration Department, Fubon Securities Co., Ltd.
Address: 2F, No.17, Xuchang St., Taipei City
Website: <http://www.fubon.com>
TEL.: (886)2-23611300

IV. Name, Office, Address, Website and Tel. of CPA for recent financial reports

Name: Accountant Lin, Jun-Yao and Zhang, Shu-Qiong
Accounting Firm: PwC Taiwan
Address: 27F, No.333, Sec. 1, Keenlung Rd., Xinyi Dist., Taipei City
Website: <http://www.pwc.tw>
TEL.: (886)2-27296666

V. Name, Title, Tel. and E-mail of Litigation and Non-litigation Agent within the Republic of China

Name: Pi-Hua Joanna Chen Title: Chairperson
TEL.: (886)2-2723-8666 Email: investor@chlitina.com

VI. Name of Overseas Securities Exchange Office and the method to inquire into information of securities: None

VII. Company website: <http://www.chlitina.com>

VIII. List of Board of Directors

Title	Nationality	Name	Gender (Female/Male)	Major education background and work experiences:	Concurrent positions at the Company and other companies
Chairperson	Republic of China	Chen, Pi-Hua	F	EMBA, Tongji University Ph.D of Keuka College, USA	Note 1
Director	British Virgin IS.	Wealthy Garden Investment Limited	-	-	-
	Republic of China	Representative: Chen, Pei-Wen	F	MBA, US Seton Hall University - MBA, Stillman School of Business	Note 2
Director	Republic of China	Chu, Yi	F	Graduated from Dept. of Business Administration, Fu Jen Catholic University Regis University MBA, USA Harvard Business School - Advanced Management Program 1996 General Manager of Estee Lauder Group in Taiwan Founding director and honor director of Taiwan Cosmetics Industry Association	Alchemy Corporation USA / President Adviser of Very Mulan Investment Co., Ltd. Vice Chairperson of Taiwan Clinical Oncology Research Foundation
Director	Mainland China	Wu, Sizong	M	Bachelor of Economics, Shanghai University of Finance and Economics Master of Economics, Shanghai University of Finance and Economics Professor of Jiangxi University of Finance and Economics	Professor of Tongji University Independent Director of Top Spring International Holdings Limited Independent Director of Shanghai Shimao Group

Director	Republic of China	Tsai, Yu-Ling	F	Department of Law, National Taiwan University Co-founder of Lee, Tsai & Partners	Member of International Affairs Advisory Committee, Taipei City Government Member of Taipei Smart City Committee Member of International Affairs Committee, Taipei City Government Chairperson of Ching Chu Co., Ltd. Chairperson of I Tam-Sui Co., Ltd. Director of Jess Link Products Co., Ltd. Director of Le Gala International Ltd. Chairman of Taiwan FinTech Association Director of Cleaner Production & Regional Development Foundation Standing Director of Spark Taiwan Supervisor of Tri-C Entertainment Co., Ltd. Chairperson of Taiwan Women on Boards Association Supervisor of Huafan University Director of the Chinese Arbitration Association CEO of Fair Winds Foundation
Independent Director	Republic of China	Tsai, Yu-Chin	F	Doctor, School of Accounting, Shanghai University of Finance and Economics Master, College of Accounting, National Chengchi University Director of Audit Dept., KPMG Assistant Professor, Dept. of Accounting, China University of Technology Passing High Level CPA Civil Test	Supervisor of Nichidenbo Corporation Supervisor of Tong Hsing Electronic Industries, Ltd. ITEQ CORPORATION - Independent Director ITEQ CORPORATION - Member of Remuneration Committee ITEQ CORPORATION - Member of Remuneration Committee Ming Ling Hsueh / Independent director of WalsinLihwa Corp. TAIYEN BIOTECH - Independent Director Assistant Professor, Dept. of Accounting, China University of Technology
Independent Director	Republic of China	Kao, Peng-Wen	F	MBA, Duke University, USA - graduation General Manager and COO of WalsinLihwa	Director of Jess Link Products Co., Ltd.

Independent Director	Republic of China	Yu, Hung-Ding	M	Dept. of Computer & Applied Sciences, Soochow University - graduation System Engineer, Products Manager and Business Manager of IBM Taiwan; CEO, UNIX Server Products Div., IBM China; CEO, Midranger Server System Div., Greater China, IBM China; CEO, East and Central China, IBM China; CEO, Production, Great China, IBM China CEO, IBM Taiwan	Independent Director of TYMPHANY ACOUSTIC TECHNOLOGY LIMITED.
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Note 1: Director of (BVI) Chlitina Group Limited, Director of (BVI) Chlitina International Limited, Director of (BVI) Chlitina Intelligence Limited, Director of Centre de Recherche et de Developpement de CHLITINA FRANCE EURL, Director of Hong Kong Chlitina International Limited, Director of (BVI) Chlitina Marketing Limited, Director of (BVI) W-Amber International Limited, Director of (BVI) W-Amber Marketing Limited, Director of Hong Kong W-Amber International Limited, Director of (BVI) W-Champion International Limited, Director of Hong Kong W-Champion International Limited, Director of (BVI) C-Asia International Marketing Limited, Director of Hong Kong C-Asia International Marketing Limited, Executive Director of Chlitina (China) Trade Limited, Executive Director of Weishuo (Shanghai) Daily Product Limited, Executive Director of Weihu (Shanghai) Trade Limited, Executive Director of Wuguan (Shanghai) Trade Limited, Executive Director of Jingya (Shanghai) Trading Co., Ltd., Executive Director of Shanghai Yuanshuo Management Consulting Limited, Executive Director and General Manager of Cuijie (Shanghai) Trading Co., Ltd., Manager of Branch of British Virgin IS., Chlitina Marketing Limited, Director of (BVI) Desheng Global Limited Ltd., Director of (BVI) Wealthy Garden Investment Limited, Director of (BVI) J&R International Holding Limited, Director of (BVI) Pure Sky International Limited, Director of Dida Business Administration Consultant Limited, Director of San Yen So International Co., Director of Shanghai Cheng Yang Trading Co., Ltd., Supervisor of Chlitina International Limited, Director of Full Blooming Investment Co., Ltd., Director of Jin Yongji Co., Ltd., Director of Chaoneng Biochemical Technology Co., Ltd.

Note 2: Supervisor of Jingya (Shanghai) Trading Co., Ltd., Director of J&V Global Limited, Director of TuTu& Bow International Limited, Director of FORTUNE RADIANCE INVESTMENT LIMITED, Supervisor of Kelti (China) Daily Product Co., Ltd., Supervisor of Jin Yen (Shanghai) Biotech Co., Ltd., Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Chairperson of San Yen So International Co., Ltd., Chairperson of TuTu& Bow International Limited, Chairperson of Chlitina International Limited, Director of Chlitina International Trade Co., Ltd., Director of Charming Biotech Corporation, Director of Dida Business

Administration Consultant Limited, Director of Action LIFE, Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Supervisor of Kangsi Co., Ltd., Supervisor of Jin Yongji Co., Ltd., Supervisor of Full Blooming Investment Co., Ltd.

Note 3: Director's domestic representative: mutual appointed between general directors and mutual appointed between independent directors. Contact manner for domestic agent: TEL.: (886)2-27238666 E-mail: investor@chlitina.com

Chlitina Holding Limited

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the date of publication of the annual report

IV. Other Important Supplementary Information

Nine. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one.

One. Letter to Shareholders

Business report for 2018 of Chlitina Holding Limited

Chlitina Holding Limited (hereinafter referred to as the “Company”) hereby reports its 2018 operating results and the summary of the business plan for 2019:

I. 2018 operating results:

(I) Business plan and implementation:

The consolidated revenue for 2018 is NTD 4,578,513K, which is an increase by 39.13% compared to NTD 3,290,702K from 2017. The net income for the year increased by 109.08% to 1,218,880K compared to NTD 582,962K from 2017.

In terms of geography breakdown, 96.59% of sales, or NTD 4,422,397 thousand, was made of Mainland China, as the region remained the largest and focused market for the Company

(II) Analyses on financial revenues and expenditures and profitability:

For the financial structure, the assets to liabilities ratio was 36%, the working capital ratio was 212% and the net profit margin was 27% in 2018, with a net cash inflow of NTD 1,316,502K during the year. This indicates that the Company has adequate cash flows, relatively powerful profitability and a robust financial structure.

(III) Performance in research and development

The Company aims to apply the concept of “Beauty caring based on medical science” on beauty care and provide females who have different kinds of skin problems with their own professional skincare programs. By introducing advanced technology in the industry, we will continue to promote new products and expand our product line targeting different customer groups in different channels. In 2018, for professional lines, the Primrose facial cleansing series was developed, emphasizing preventive protection and repair for early mid-aged and sensitive skin; for body-shaping, on the other hand, there was the Perfect Curve Treatment series. Extending the professional market channel to e-commerce, the company has researched and developed a series of products featuring “trendy,” “highly-effective” and “instant” qualities. Different products launched through different market channels can optimize the satisfaction of different consumers who have personalized skincare demands.

II. Summary of the business plan for 2019:

(I) Guidance for operations:

1. We will continue to deepen the brand essence of "Women, Love Bravely", so as to provide the exclusive and precise skin care plan from the aspects of "timely, suitable, economical." Consolidate a high-quality brand image, through both traditional and new media and other forms of brand promotions, such as sponsoring high-profile international events, holding large-scale brand events, making embedded ads, enhancing public brand awareness, and

drawing attention from high-end consumer groups. Hold complementary online and offline promotional activities to enhance the customer loyalty to the franchised stores location. Actively expand business scale and improve operation performance to maximize shareholder's equity.

2. In terms of the professional channel, based on the marketing principle of “working deeply and elegantly,” we will deepen the management of franchises to improve the profitability of franchises and increase the overall quality of franchises in the constant pursuit of long-term robust growth.

In terms of Mainland China, we will actively dig into the consumption potential and consumers’ needs of blank markets. In terms of different areas, we will continue to strengthen the management for different levels. While increasing the speed of expansion, we will also take care of the quality of branches.

For Hong Kong, Taiwan and Southeast Asia, we will deepen brand awareness and expedite the addition of stores. We will reach out to local beauty markets by improving and enforcing franchise management strategies that adapt to local developments. Furthermore, we will research and develop beauty and health products that are suitable for local consumers.

3. As far as e-commerce is concerned, the focus will continue to be placed on the steady growth of both the number of members and the quantity of purchase orders. We will combine the existing distribution network resources of the Company while developing respective high-end products for the expansion of the width and length of the product chain as well as the various types of auxiliary network marketing approaches in order to perfect the network deployment and product coverage.
4. For the cosmetic medicine network, we promote the development of self-owned cosmetic medicine clinics and expedite the establishment of additional clinics. Combining aesthetics, medicine and science, we are providing consumers with omnipresent services to help them stay beautiful, healthy and resistant against aging.

(II) Sales forecast and assumption:

For 2019, the Company expects to achieve the sales growth of each channel in terms of their target revenue by implementing the 2019 strategies of “high-efficiency treatment products,” “multi-channel selling” and “diversified marketing” in accordance with the macro environment, industry characteristics, and market supply and demand conditions.

III. Future development strategy:

- (I) Improve our research and development capabilities, work with specific channels and different consumer groups, and continue to develop professional, high-end and top-quality products.

- (II) Continue to deepen brand essence, expand brand influence and solidify consumer loyalty.
- (III) Implement suitable sales and management strategies for each locality on the further segmented Mainland China market.
- (IV) Use Southeast Asia as the entry point to push for overseas expansion, widen the group's operating territory and upgrade our brand image to an international level.
- (V) Accelerate the expansion of the e-commerce network to realize marketing anytime, anywhere that is adapted to the habits and preferences of consumers for the persistent expansion of the business scale.
- (VI) Set foot in the cosmetic medicine industry, taking advantage of advanced artificial intelligence and regenerative medicine to bring additional momentum to the Company's revenue.

IV. The impact among the environments of external competitions, legal ambiance and overall business operations.

- (I) The impact among the environments of external competitions environment and environment for overall business operation:

In 2018, China's economic growth rate showed a trend of stable advancement. According to the "2018 National Economic and Social Development Statistics Bulletin" published by the National Bureau of Statistics of China, the GDP growth was 6.6% for the Mainland region and the tertiary industries' GDP accounted for 52.2% of the total national GDP. Tertiary industries, especially the service industry, saw a significant improvement. Under the stimulation of multiple factors such as industrialization, information technology and elevated residential consumer spending, growth in the service industry remained strong. The tertiary industries went up by 7.6%. Consumption has further enhanced the driving force of the growth with an annual contribution of 76.2% to economic growth for the whole year. The level of urbanization is on the track to improve and the income gap between urban and rural residents continued to narrow. Residents' income grew faster than economic growth. The annual per capita disposable income increased by 8.7%. Excluding the price factor, the real growth rate was 6.5%. The development of the service industry, urbanization process and per capita disposable income of urban residents all show that the potential of consumer goods market in China, industry and service industry Among sales of enterprises above designated size in retailing, the growth rate of cosmetics was 9.6%, exceeding the total growth rate of consumption goods category. According to the related industry reports published by Euromonitor International, the market volume for the Chinese cosmetics products will reach RMB 4,333 billion in 2021.

The main tasks of the China Government in 2018 included the continued implementation of the "13th five-year Plan," so that when economic developments generally remain steady, they may effectively cope with the impressive changes in the external environment and centrally take care of the steady growth, promotion of

reforms, adjustment of structure, benefits for the people and prevention of risks. The economic developments were generally steady in terms of progress. The quality efficacy was steadily growing and people's life continued to become better. Continuous normal developments and stability in society as a whole were retained. Meanwhile, with the support of a series of innovative business activities and results, the new products of emerging industries are growing rapidly and becoming an important motivator for stable economic growth. Throughout 2018, the sales of products online grew by 25.4% compared to the previous year, accounting for 18.4% of the overall retail sales of consumer products in society, a growth of 3.4% from the previous year. Facing the rapidly changing external environment, the markets for beauty and skincare franchise and consumption goods are becoming more and more competitive. On the dispersed competitive market, high-quality brands have strong appealing power and more opportunities to integrate the market. At the same time, the franchiser's operation is directly affected by the macroeconomic environment and the disposable income of consumer's. The urbanization and the emerging business of the public leads to deeper and wider regions for branch establishment. The development of E-Commerce is beneficial to breaking down geographical limits and expanding customer groups, which will bring more business opportunities to the Company. The upgrading of traditional industries and the online-and-offline-combined marketing method even reveal the Company's competitiveness in combining unique products and therapy service and the development advantage created by the cross-border E-commerce business.

(II) Impacts from the Regulatory Environment:

To operate skin care products manufacturing and franchised business in China, businesses need to obtain numerous licenses and approvals and comply with the following regulations: "Hygienic Standard for Cosmetics", "Cosmetics Health Supervision Regulations", "Cosmetic Health Supervision Regulations Implementing Rules", "Industrial Production Authorization Regulations", "Domestic Non-special Purpose Cosmetics Record Management Method", and "Cosmetics Labels Instructions Management Regulations", as well as "Commercial Franchise Administration Regulations". The obtaining of relevant licenses in accordance to the laws and regulations has material impacts on the business operation for the Company. As of the date of printing of this annual report, the Company has obtained all the licenses and permits require for business operations and got an update as it pertains to these matters.

Chairperson:Chen, Pi-HuaManager:Chen, Pi-HuaAccountingSupervisor:Yeh,Chien-Chih

Two. Business Operation Plan of 2019

I. Date of establishment: July 3, 2012.

II. Company and group history

Year	Significant events of the Company and group history
1989	The brand of “CHLITINA” was formally established in Taiwan.
1997	CHLITINA entered Shanghai and formally expanded to the market of Mainland China.
1999	CHLITINA opened its first flagship store on Huaihai Rd., Shanghai.
2002	CHLITINA set up the training center in Shanghai and opened various professional curriculum.
2003	With advanced production equipment, the Songjiang firm strictly follows scientific production management and quality control system. Its supreme quality control successfully passed the “Certification Rules for Cosmetics Good Manufacturing Practice (GMP)” published by UK’s Intertek Testing Services Ltd., Shanghai, and was rewarded the international “URS certification” of ISO9001 and the ISO9001 international quality certification of “Shanghai Audit Center of Quality System” successively. It became an enterprise obtaining the above two certifications simultaneously, which was rare in China’s daily cosmetic industry.
2004	To enhance customer service, Chlitina have aggressively expanded their market reach, setting up offices in Beijing, Guangzhou, Chengdu and Dalian to drive customer awareness and brand recognition.
2005	It expanded to markets in many regions around the country, with franchises exceeding over 2,000.
2006	Shanghai Yongji Trading Co., Ltd. (abbreviated as Yongji Limited in the following text) was established and its franchise store number reached 2,475.
2007	The Chengdu regular chain store of CHLITINA was established. Weishuo (Shanghai) Daily Product Limited (abbreviated as WeiShuo Company in the following text) was established. CHLITINA International Limited was established.
2008	The Dalian regular chain store of CHLITINA was established. The development center in France, Centre de Recherche et de Developpement de CHLITINA FRANCE EURL, was set up. CHLITINA formed R&D alliance with partners in France.
2009	Hong Kong CHLITINA International Limited was set up. WeiShuo Company formally started production.
2011	In the list of “China Well-known Trademark” published by Trademark Office of the State Administration for Industry and Commerce, the Chinese and English names of “克麗緹娜” and “CHLITINA” was respectively rewarded the honor of “China Well-known Trademark”. CHLITINA Group Limited was established.
2012	CHLITINA Intelligence Limited was established. CHLITINA participated in the 17th China Beauty Expo (in Shanghai), and the brand won the honors of “Leading Brand” and “The Most Influential Beauty Chain in 2012”. “Chlitina Holding Limited (麗豐股份有限公司)” was set up in the Cayman

Year	Significant events of the Company and group history
	<p>Islands as the body in applying for primary listed company.</p> <p>CHLITINA was awarded “Asia Brand Store Award” and “China's Most High-Growth Franchises” by China Chain Store & Franchise Association.</p> <p>On the 4th Hers Premium Lifestyle 100 held by the magazine “Urban Housewives”, CHLITINA won the prize of “Best Loved Brand of Thousands of Females”.</p> <p>At the “Top 50 Growth Chain-Style Business in China - Forum and Award Ceremony” held by CYZONE in 2012, CHLITINA won the award of “Top 50 Growth (Franchise 50) Chain-Style Business in China” for its brand reputation, popularity and future growth potential.</p> <p>Shanghai Yongji Trading Co., Ltd. was renamed to “CHLITINA (Shanghai) Trade Limited”.</p> <p>CHLITINA Marketing Limited and its Taiwan branch were established.</p>
2013	<p>CHLITINA’s brand won “Asia’s Top 10 Brands with the Most Investment Values Award” at the Asia Brand Association Annual Meeting and China Brand Ranking Ceremony.</p> <p>Weishuo Company was awarded the “Advance Business Award” by People's Government of Songjiang District.</p> <p>In May 2013, CHLITINA won the “2013 Most Influential Venture Capital Brand Award” and “2013 Venture Capital Expo Gold Award” on the National Brand Franchise Expo.</p> <p>In May 2013, CHLITINA was awarded the “Top 10 Business Model Award” by the “Beauty Salon” magazine.</p> <p>Also in May 2013, CHLITINA received the “Leading Brand Award” and “Most Brand Value Beauty Chain in 2013 Award” on the 18th China Beauty Expo.</p> <p>In August 2013, CHLITINA won the award of “2013 Top 50 Growth Chain-Style Business in China” from “CYZONE” magazine.</p> <p>In November 2013, CHLITINA won the “2013 Trusted Hairdressing and Beauty Brand Award” from Shanghai Municipal Commission of Commerce, “Shanghai Morning Post” and Shanghai Hair & Beauty Trade Association (SHBTA).</p> <p>On November 27, 2013, CHLITINA were listed on the Taiwan Stock Exchange (TWSE).</p>
2014	<p>In January 2014, CHLITINA won the “2013 7.6 Million Metro Time Readers’ Most Favorite Fashion Brand Award” at the 2013 Fashion City Light Ceremony.</p> <p>Also in January 2014, CHLITINA’s “E.P.O. Facial Cleanser” won the award of “2013 Most Classic Facial Cleaning Product” at the 2013 Fashion City Light Ceremony.</p> <p>In February 2014, CHLITINA won the “2013 China Charity Collective Award” at the 3rd China Charity Festival.</p> <p>Also in February 2014, CHLITINA’s project of “Light up the Light” won “The Best Charity Spirit Award” at the 3rd China Charity Festival in 2013.</p> <p>On March 3, 2014, CHLITINA launched the “Women, Love Bravely” campaign for CHLITINA’s 25th anniversary festival.</p> <p>In May 2014, CHLITINA won the “Investors’ Most Favorite Brand Award” at the 15th China Venture Capital Fortune Making Expo in Shandong, China.</p>

Year	Significant events of the Company and group history
	<p>In June 2014, CHLITINA's "E.P.O. Facial Cleanser" won the "2014 Most Potential Venture Project Award" and "The 2014 Gold Award of Entrepreneurship Exposition" at the 20th Joining China Franchise & China Venture Exhibition in 2014.</p> <p>Also in June 2014, CHLITINA won the "2014 Best Brand Image Award" at the 3rd China Finance Summit.</p> <p>In September 2014, CHLITINA won the "2014 Boutique Tour Special Contribution Award" and the "Business Leader Award" from China Association of Fragrance Flavor and Cosmetic Industries.</p> <p>Also in September 2014, CHLITINA won the "2014 Most Fashionable Beauty Chain Award".</p> <p>In November 2014, CHLITINA was awarded the "2013 China Franchise Venture Contribution Award" and the "Top 120 Chain-Style Business of China in 2013" by China Chain Store & Franchise Association.</p> <p>Also in November 2014, CHLITINA won the "Project Hope 25 Years Special Contribution Award" from China Youth Development Foundation.</p>
2015	<p>In January 2015, CHLITINA's Chairperson, Ms. Pi-Hua Joanna Chen, received the "2014 China Charity Character Award".</p> <p>Also in January 2015, CHLITINA won the "2014 China Charity Collective Award".</p> <p>In June 2015, CHLITINA and Hubei TV collaborated on the production of a TV show, "Perhaps Love," which illustrate a legendary journey of brave love.</p> <p>In July 2015, CHLITINA grandly launched the opening ceremony of "Beauty, Heath, Happiness" campaign in Xiamen, China.</p> <p>In October 2015, CHLITINA was named "Taiwan's Best 20 Global Brands" by Interbrand, the largest brand-consulting firm around the globe.</p> <p>In November 2015, CHLITINA's "Deluxe Renew Firming Cream" won the "The Best 4D Contour Award" in blind tests of magazine "femina".</p>
2016	<p>In January 2016, CHLITINA's Chairperson, Ms. Pi-Hua Joanna Chen, received the "2015 China Charity Character Award".</p> <p>Also in January 2016, CHLITINA won the "2015 Responsible Brand Award".</p> <p>In March 2013, CHLITINA joined the official cooperation press conference of the 19th Shanghai International Film Festival.</p> <p>In March 2016, CHLITINA and its spokesperson, A-Lin, launched the brand concept of "Cocoon" at a brand festival on the Shanghai Culture Square.</p> <p>Also in March 2016, CHLITINA and Shanghai International Film Festival announced a global call for documentary films on the subject of "Women Love Bravely".</p> <p>In April 2016, the spokesperson of CHLITINA, A-Lin, helped the Company broadcast on television and printed ads in Mainland China and Taiwan at the same time.</p> <p>In April 2016, CHLITINA's charity computer donation, "Lit The Light Plan", was held in Jinzhai, Anhui Province.</p> <p>In April 2016, CHLITINA's Spinning Series product, "Nine Peptide Lotion" was awarded the "Best Whitening Repair Award" by the magazine "femina".</p>

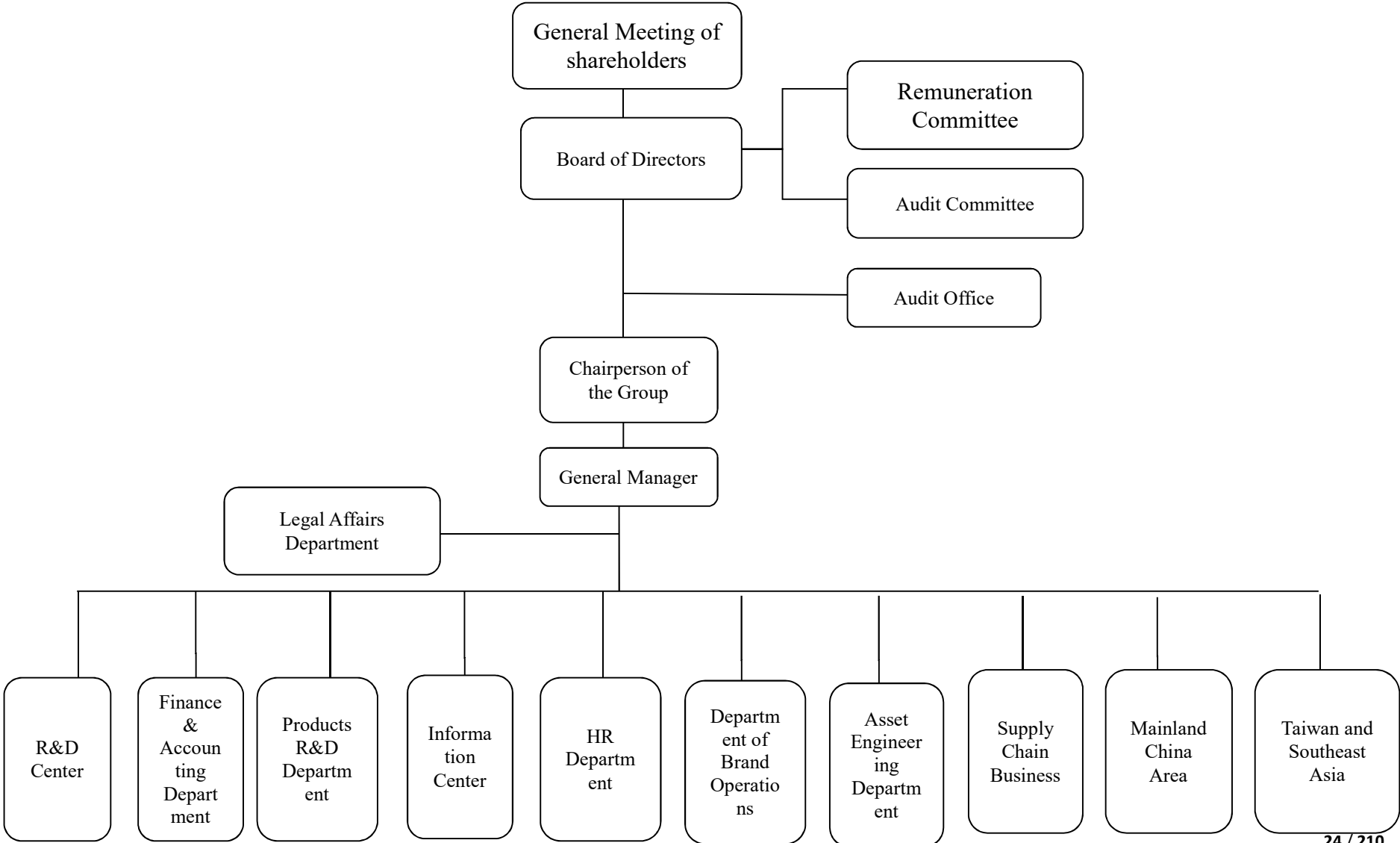
Year	Significant events of the Company and group history
	<p>In May 2016, CHLITINA's national teacher training course of "Lit the Lint Plan" was opened during May 11 ~ May 16 in Shanghai.</p> <p>In June 2016, CHLITINA became the official cooperative partner of the 19th Shanghai International Film Festival and the only skin care brand designated by Shanghai International Film Festival.</p> <p>In June 2016, CHLITINA's Chairperson, Ms. Pi-Hua Joanna Chen, was elected as President of the National Medical Beauty Industry Branch.</p> <p>In April to July 2016, CHLITINA Taiwan branch invested and were titled on China's hot-broadcasted drama, "The Legend of MiYue", to enhance the brand's reputation.</p> <p>In July 2016, CHLITINA won the "2016 Outstanding Brand Image Award" at the 5th Financial Summit. The Chairperson, Ms. Pi-Hua Joanna Chen, won the award of "2016 Best Man of Wealth and Wisdom".</p> <p>In August 2016, the COO of CHLITINA, Cheng-Yu Zhao, became the only representative of the industry that were invited to attend the B20 Summit in Hangzhou.</p> <p>In November 2016, CHLITINA's new concept store debuted on Huaihai Road in the Shanghai core business district, which created a unique five-sense experience to build a new concept of luxurious skin care. Consumers can understand the "cocoon" spirit of the brand culture from the inside to the outside.</p> <p>In November 2016, CHLITINA became the only representative of the industry that continuously won the honor of "Top 20 International Brands in Taiwan" twice, after which the value of the brand rose by 19%. As compared with the average value of all 20 top brands selected, CHLITINA's growth rate of brand value is higher than the others' by about 18%.</p> <p>In November 2016, as a contributive and successful leader of the Company, Chairperson Ms. Pi-Hua Joanna Chen, was awarded an honorary Ph.D. degree of Humanities from Keuka College in New York because of her insistence on humanistic care and continuous attention to supporting cultural exchanges between Mainland China and Taiwan.</p> <p>In November 2016, CHLITINA's protein cream won "The Best Tightening Firming Award" of the year given by the magazine "femina".</p>
2017	<p>In January 2017, CHLITINA won the "2016 Special Tribute Award" of the 6th China Charity Festival. Chairperson Ms. Pi-Hua Joanna Chen, won the "2016 China Charity Character Award" at the same festival.</p> <p>In February 2017, the press conference for official cooperation between CHLITINA and the 6th Shanghai International Film Festival was held.</p> <p>Also in February 2017, CHLITINA cooperated with Shanghai Hongqiao International Airport for the female art exhibition, "Women, Brave to Love".</p> <p>Also in February 2017, CHLITINA held the brand festival, "Stand on the 20th Anniversary and Takeoff", upgraded the brand declaration into "Woman, be Brave to Love and be More Beautiful", and released three humanities videos which were designed to "pay tribute to every woman who is brave to love".</p> <p>In May 2017, CHLITINA donated Shanghai Tongji University Education Development Foundation with the domination used in supporting human resource development in medicine and management and scientific research.</p>

Year	Significant events of the Company and group history
	<p>In May 2017, the Company’s medical cosmetology clinic, Up Lider, was established formally.</p> <p>In June 2017, CHLITINA’s condensed teacher training course of “Lit the Lint Plan” was held in Shanghai.</p> <p>Also in June 2017, CHLITINA became the official cooperative partner of the 20th Shanghai International Film Festival and the only skin care brand designated by Shanghai International Film Festival.</p> <p>Also in June 2017, CHLITINA cooperated with the 20th Shanghai International Film Festival in elegantly broadcasting the venture capital documentary film project of “Woman, be Brave to Love”, “Ganglamedo”.</p> <p>Also in June 2017, CHLITINA held the annual festival of “Pink Power”.</p> <p>In July 2017, the brand sponsored the hot-broadcasting drama, “The First Half of My Life”.</p> <p>Also in July 2017, CHLITINA won the “2017 Best Brand Image Award” at the 6th China Finance Summit.</p> <p>Also in July 2017, CHLITINA’s Chairperson, Ms. Pi-Hua Joanna Chen, won the “2017 (Industry) Influential Characters” at the 6th China Finance Summit.</p> <p>Also in July 2017, CHLITINA’s brand COO in Greater China area, Chao, Cheng-You, won the honor of “2017 Best Man of Wealth and Wisdom” at the 6th China Finance Summit.</p> <p>In October 2017, CHLITINA Research Institute of Regenerative Medicine, Tongji University, was formally established.</p> <p>In November 2017, CHLITINA broke the industry’s record again in continuously winning the honor of “Top 20 International Brands in Taiwan” three times.</p> <p>In December 2017, CHLITINA won the “Annual Best Classical Skin Care Series Award” of SINA’s “Best Taste 2017”.</p> <p>Also in December 2017, CHLITINA was awarded the honor of “2017 Best Cooperative Partner” and the “2017 Annual Project Hope Contribution Award” by China Youth Development Foundation (CYDF).</p>
2018	<p>In January 2018, CHLITINA won the “2017 Annual Special Tribute Award” at the 7th China Charity Festival.</p> <p>In January 2018, CHLITINA’s Chairperson, Ms. Pi-Hua Joanna Chen, won the “2017 China Charity Character Award” at the 7th China Charity Festival.</p> <p>In February 2018, the franchisee number has reached over 4,000.</p> <p>In February 2018, CHLITINA was awarded the “Golden Award – the Top 10 Innovative Cases of National Service Industry” from Business Daily.</p> <p>In March 2018, CHLITINA held an honoring festival at Kerry Center in Pudong, Shanghai.</p> <p>In March 2018, CHLITINA signed the “Lighting Charity Fund” alliance with the China Youth Development Foundation to promote reading in Taiwan.</p> <p>In June 2018, CHLITINA became the official cooperative partner of the 21th Shanghai International Film Festival and 21st Shanghai TV Festival, as well as the only skin care brand designated by Shanghai International Film Festival.</p> <p>In June 2018, CHLITINA was awarded the “Top 100 Chain-Style Business</p>

Year	Significant events of the Company and group history
	<p>of China in 2017” and the “China Outstanding Franchisor 2018” by China Chain Store Association.</p> <p>In July 2018, the CHLITINA brand was promoted on the dating program “Searching for True Love -Wei JianZhong Qing” on AHTV.CN.</p> <p>In October 2018, CHLITINA’s Crystal Clear Eye Serum won the RuiLi Yi Style magazine’s 2018 “Brilliant Eyes Pioneer Award”</p> <p>In October 2018, CHLITIN’s COO Mr. Chao, Cheng-You represented the domestic beauty industry and attended the 18th Forbes Global CEO Conference in 2018</p> <p>In November 2018, CHLITINA was given the prestigious honor of the “2018 Most Influential Industries” award at the 2018 Financial Summit. CHLITINA’s COO Mr. Chao, Cheng-You was named the “2018 New Economy Entrepreneurs”</p> <p>In December 2018, the documentary Ganglamedo, invested in by CHLITINA and aired in 6 languages across 9 countries, was given the ‘Gold ribbon’ for excellent TV program.</p>
2019	<p>In January 2019, CHLITINA won the “2018 Charity Collective Award”. COO, Chao, Cheng-You, won the honor of “2018 China Charity Character Award”.</p> <p>In January 2019, CHLITINA won the prestigious award “Top 100 Corporations in XuHui District”. COO Mr. Chao, Cheng-You became the Vice Chairman of the “Shanghai City Taiwanese Association for XuHui District”</p> <p>In March 2019, CHLITINA was awarded the In June 2018, CHLITINA was awarded the “Top 100 Chain-Style Business of China in 2018”, the “China Outstanding Brand 2019” and “Outstanding Franchisor”.</p>

Three. Corporate Governance Report

I. Organization



Department Name	Responsible of Department
R&D Center	<ol style="list-style-type: none"> 1. Increase the company's self-development ability and support the market's early-period developing work of new product marketing. 2. Formulate the standardized costs and realized effective cost control. Manage and maintain periodical regulatory business of previously-launched products. Complete the mission of communication and negotiation between the management and the employees.
Finance & Accounting Department	<ol style="list-style-type: none"> 1. Make the Group's annual budget and final report 2. Formulate the Group's tax policy and relevant planning 3. Deal with the Group's accounting process, clearing and financial planning.
Products R & D	<ol style="list-style-type: none"> 1. Develop and planning new products for the Company 2. New product packaging material development and design
Information Center	<ol style="list-style-type: none"> 1. Make reasonable budget for the IT Dept., arrange the Group's software and hardware resources appropriately. 2. Establish the Internet system, apps, operation system needed by each of the departments. 3. Establish, manage and execute the 2SAP System; conglomerate the Company's ERP management operation 4. Establish and execute the Management Information System (MIS) and integrate the computerized management operation of the Company.
HR Department	<ol style="list-style-type: none"> 1. Arrange human resources, establish and execute employee management system. 2. Establish and execute administrative and general affairs system.
Department of Brand Operations	<ol style="list-style-type: none"> 1. Plan for brand promotion on domestic market. 2. Prepare for house journals, auxiliary products and other graphic designs. 3. Make and edit films for the Company.
Asset Engineering Department	<ol style="list-style-type: none"> 1. Instruct and supervise on the asset management of each department, and control all of the Group's assets timely and precisely. 2. Take charge of branches' internal decoration 3. Maintain and fix the equipment.
Legal Affairs Department	<ol style="list-style-type: none"> 1. Avoid legal risk to ensure the Company's valid operation, and establish and maintain good relationship between the Company and relevant government departments. 2. Assist the management in controlling the legal risk that the Company may face during operation, and timely provide opinions and suggestions regarding regulatory affairs.
Supply Chain Business	Responsible of production and outsourced manufacturing, complete and meet the annual production plans and goals.
Mainland China Area	Take charge of the business in China.
Taiwan and Southeast Asia	Take charge of each business channels in Taiwan and the Southeast Asia.

II. Information concerning the directors, supervisors, general manager, deputy general managers, assistant vice presidents, and department and branch managers

(I) Information of directors and supervisors

April 30, 2019; Units: 1K shares; %

Title (Note 1)	Nationality or Place of Registration	Name	Gender (Female /Male)	Date of Election (Appointment) (Note 1)	Term (years) (Note 1)	Date when first elected (Note 1)	Shareholding when elected		Current shareholding		Current shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at the Company and other companies	Other senior managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relations
Chairperson	Republic of China	Chen, Pi-Hua	F	June 5, 2018	3 years	July 7, 2012	-	-	-	-	-	-	-	-	EMBA, Tongji University Ph.D of Keuka College, USA	Note 2	Director	Chen, Pei-Wen	Sister
Director	British Virgin IS.	Wealthy Garden Investment Limited	-	June 5, 2018	3 years	August 23, 2012	28,056 (Note 2)	35.29	28,056	35.29	-	-	-	-	-	-	-	-	-
	Republic of China	Chen, Pei-Wen	F	June 5, 2018	3 years	June 17, 2015	-	-	-	-	-	-	-	-	MBA, US Seton Hall University - MBA, Stillman School of Business Graduated from Daren Girls' High School	Note 3	Chairperson	Chen, Pi-Hua	Sister

Director	Republic of China	Chu, Yi	F	June 5, 2018	3 years	August 23, 2012	-	-	-	-	-	-	-	-	-	Graduated from Dept. of Business Administration, Fu Jen Catholic University Regis University MBA, USA Harvard Business School - Advanced Management Program 1996 General Manager of Estee Lauder Group in Taiwan Founding director and honor director of Taiwan Cosmetics Industry Association	Alchemy Corporation USA /President Adviser of Very Mulan Investment Co., Ltd. Vice Chairperson of Taiwan Clinical Oncology Research Foundation	-	-	-
Director	Mainland China	Wu, Sizong	M	June 5, 2018	3 years	August 23, 2012	-	-	-	-	-	-	-	-	-	Bachelor of Economics, Shanghai University of Finance and Economics Master of Economics, Shanghai University of Finance and Economics Professor of Jiangxi University of Finance and Economics	Professor of Tongji University Independent Director of Top Spring International Holdings Limited Independent Director of Shanghai Shimao Group	-	-	-

Director	Republic of China	Tsai, Yu-Ling	F	June 5, 2018	3 years	August 23, 2012	-	-	-	-	-	-	-	-	-	Department of Law, National Taiwan University Co-founder of Lee, Tsai & Partners	Member of International Affairs Advisory Committee, Taipei City Government Member of Taipei Smart City Committee Member of International Affairs Committee, Taipei City Government Chairperson of Ching Chu Co., Ltd. Chairperson of I Tam-Sui Co., Ltd. Jess Link Products Co., Ltd. - Director Director of Le Gala International Ltd. Chairman of Taiwan FinTech Association Director of Cleaner Production & Regional Development Foundation Standing Director of Spark Taiwan Supervisor of Tri-C Entertainment Co., Ltd. Chairperson of Taiwan Women on Boards Association Supervisor of	-	-	-
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Independent Director	Republic of China	Tsai, Yu-Chin	F	June 5, 2018	3 years	August 23, 2012	-	-	-	-	-	-	-	-	-	Doctor, School of Accounting, Shanghai University of Finance and Economics; Master, College of Accounting, National Chengchi University; Director of Audit Dept., KPMG Assistant Professor, Dept. of Accounting, China University of Technology Passing High Level CPA Civil Test	Supervisor of Nichidenbo Corporation Supervisor of Tong Hsing Electronic Industries, Ltd. ITEQ CORPORATION - Independent Director ITEQ CORPORATION - Member of Remuneration Committee ITEQ CORPORATION - Member of Remuneration committee Ming Ling Hsueh / Independent director of WalsinLihwa Corp. TAIYEN BIOTECH - Independent Director Assistant Professor, Dept. of Accounting, China University of Technology	-	-	-
Independent Director	Republic of China	Kao, Peng-Wen	F	June 5, 2018	3 years	November 12, 2012	-	-	-	-	-	-	-	-	-	MBA, Duke University, USA - graduation General Manager and COO of WalsinLihwa	Director of Jess Link Products Co., Ltd.	-	-	-

Independent Director	Republic of China	Yu, Hung-Ding	M	June 5, 2018	3 years	November 12, 2012	-	-	-	-	-	-	-	-	-	Dept. of Computer & Applied Sciences, Soochow University - graduation System Engineer, Products Manager and Business Manager of IBM Taiwan; CEO, UNIX Server Products Div., IBM China; CEO, Midranger Server System Div., Greater China, IBM China; CEO, East and Central China, IBM China; CEO, Production, Great China, IBM China CEO, IBM Taiwan	Independent Director of Tymphony Acoustic Technology Ltd.	-	-	-
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Note 1: The Company was established in the Cayman Islands on July 3, 2012. The four directors of the Company were elected by the Ad Hoc Shareholders Meeting in accordance with the Company Act of the Cayman Islands on August 23, 2012. After the Company discussed and resolved on the Articles of Incorporation and the “Formula for Director Election” on August 23, 2012, the other four directors were elected with cumulative voting on November 12, 2012. The first term of directors was November 12, 2012 ~ August 22, 2015. The second term was June 17, 2015 ~ June 16, 2018. The third term will be June 5, 2018 ~ June 4, 2021. The Company has eight directors in total, among which three are independent directors.

Note 2: Director of (BVI) Chlitina Group Limited, Director of (BVI) Chlitina International Limited, Director of (BVI) Chlitina Intelligence Limited, Director of Centre de Recherche et de Developpement de CHLITINA FRANCE EURL, Director of Hong Kong Chlitina International Limited, Director of (BVI) Chlitina Marketing Limited, Director of (BVI) W-Amber International Limited, Director of (BVI) W-Amber Marketing Limited, Director of Hong Kong W-Amber International Limited, Director of (BVI) W-Champion International Limited, Director of Hong Kong W-Champion International Limited, Director of (BVI) C-Asia International Marketing Limited, Director of Hong Kong C-Asia International Marketing Limited, Executive Director of Chlitina (China) Trade Limited, Executive Director of Weishuo (Shanghai) Daily Product Limited, Executive Director of Weihu (Shanghai) Trade Limited, Executive Director of Wuguan (Shanghai) Trade Limited, Executive Director of Jingya (Shanghai) Trading Co., Ltd., Executive Director of Shanghai Yuanshuo Management Consulting Limited, Executive Director and General Manager of Cuijie (Shanghai) Trading Co., Ltd., Manager of Branch of British Virgin IS., Chlitina Marketing Limited, Director of (BVI) Desheng Global Limited Ltd., Director of (BVI) Wealthy Garden Investment Limited, Director of (BVI) J&R International Holding Limited, Director of (BVI) Pure Sky International Limited, Director of Dida Business Administration Consultant Limited, Director of San Yen So International Co., Director of Shanghai Cheng Yang Trading Co., Ltd., Supervisor of Chlitina International Limited, Director of Full Blooming Investment Co., Ltd., Director of Jin Yongji Co., Ltd., Director of Chaoneng Biochemical Technology Co., Ltd.

Note 3: Supervisor of Jingya (Shanghai) Trading Co., Ltd., Director of J&V Global Limited, Director of TuTu& Bow International Limited, Director of FORTUNE RADIANCE INVESTMENT LIMITED, Supervisor of Kelti (China) Daily Product Co., Ltd., Supervisor of Jin Yen (Shanghai) Biotech Co., Ltd., Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Chairperson of San Yen So International Co., Ltd., Chairperson of TuTu& Bow International Limited, Chairperson of Chlitina International Limited, Director of Chlitina International Trade Co., Ltd., Director of Charming Biotech Corporation, Director of Dida Business Administration Consultant Limited, Director of Action LIFE, Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Supervisor of Kangsi Co., Ltd., Supervisor of Jin Yongji Co., Ltd., Supervisor of Full Blooming Investment Co., Ltd.

Major shareholders of institutional shareholders

April 30, 2019

Institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)
Wealthy Garden Investment Limited	Best Honour Development Limited (55%) De Sheng Global Limited (9%) Fortune Radiance Holdings Limited (9%) Yong Shun Group Limited (9%) Fortune Radiance Investment Limited (9%) Smart Fortune Asia Limited (9%)

Note 1: Directors and supervisors are the representatives of legal-person shareholders, which shall be listed with the name of the legal person (institution).

Note 2: List the name of the main shareholder for the legal-person shareholder (whose shareholding ratio ranks the top 10) and his shareholding ratio. If its main shareholder is also a legal person, the following (Table II) shall be filled in.

Major institutional shareholders of institutional shareholders

April 30, 2019

Name of juristic person (Note 1)	Major shareholders of juristic person (Note 2)
Best Honour Development Limited (55%)	Chen, Wu-Kang (100%)
De Sheng Global Limited (9%)	Chen, Pi-Hua (100%)
Fortune Radiance Holdings Limited (9%)	Chen, Le-Wei (100%)
Yong Shun Group Limited (9%)	Chen, Ssu-Fan (100%)
Fortune Radiance Investment Limited (9%)	Chen, Pei-Wen (100%)
Smart Fortune Asia Limited (9%)	Chen, Chao-Ching (100%)

Information of directors and supervisors (II)

April 30, 2019

Qualification	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 2)										Number of positions as an Independent Director in other public listed companies	
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10		
Name (Note 1)															
Chen, Pi-Hua	-	-	V	-	-	-	-	-	-	V	-	V	V	-	
Chen, Pei-Wen	-	-	V	-	-	-	-	-	-	V	-	V	-	-	
Chu, Yi	-	-	V	V	-	V	V	V	V	V	-	V	V	V	
Wu, Sizong	V	-	V	V	-	V	V	V	V	V	V	V	V	V	
Tsai, Yu-Ling	-	V	V	V	V	V	V	V	V	V	V	V	V	V	
Tsai, Yu-Ching	V	V	V	V	V	V	V	V	V	V	V	V	V	V	
Kao, Peng-Wen	-	-	V	V	V	V	V	V	V	V	V	V	V	V	
Yu, Hong-Ding	-	-	V	V	V	V	V	V	V	V	V	V	V	V	

Note 1: The column amounts are adjusted based on the actual number needed.

Note 2: A “✓” is marked in the space beneath a condition number when a director and a supervisor has met that condition during the 2 years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the company or an affiliate.
- (2) Not a director or a supervisor of the company or an affiliate (this restriction does not apply, however, when the person is an independent director appointed by the company, its parent company, or a subsidiary pursuant to the Act or the local laws and regulations).
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with the Regulations on the Establishment of Remuneration Committees in Article 7 by TWSE/GTSM Listed Companies and their Exercise of Powers.
- (8) Is not the spouse or relative within the second degree of kinship of another director.
- (9) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
- (10) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

Note 3: Director Wu, Sizong serves as an independent director in a non-public company.

Note 4: Independent Director Yu, Hung-Ding serves as an independent director in a non-public company.

(II) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers

April 30, 2019; Units: 1K shares

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
President	Republic of China	Chen, Pi-Hua	Female	May 1, 2015	-	-	-	-	-	-	EMBA, Tongji University Ph.D of Keuka College, USA	Note	-	-	-
Supply Chain General Manager	Republic of China	Pan, Chung-Cheng (Note 1)	Male	May 8, 2015	29	0.04	-	-	-	-	(Graduate School) EMBA, Business Administration Section, National Chengchi University Bachelor of Commerce, Dept. of Accounting, Soochow University	Note	-	-	-
Mainland China Area General Manager	Mainland China	Yang, Chi-Chih	Male	June 1, 2017	45	0.06	-	-	-	-	EMBA, Business Administration Section, National Sun Yat-sen University General Manager, Mainland China and Asia Pacific, Tianlufen (Shanghai) Cosmetics Co., Ltd.	Note	-	-	-
General manager of Taiwan and Southeast Asia	Republic of China	Kao, Shou-Kang	Male	August 8, 2017	-	-	-	-	-	-	Bachelor of Mathematics, Tamkang University Cosmetic and Marketing Industry Consultant in Greater China Area	Note	-	-	-
Senior Director of Financial Department	Republic of China	Yeh, Chien-Chih	Male	August 8, 2017	25	0.04	-	-	-	-	Bachelor of Accounting, Tunghai University Assistant Manager, Pricewaterhouse Coopers Certified Public Accountants Supervisor of	Note	-	-	-

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
											Strategy Development Department and Finance Department, Cowealth Investment Co. Ltd.				
Sales Training Department Deputy General Manager	Republic of China	Yeh, Mei-Feng	Female	December 26, 2009	-	-	-	-	-	-	Dept. of Economic Management, Huazhong University of Science and Technology Vice Chairperson, Technology Dept. of Kelti (China) Daily Product Co., Ltd.	Note	-	-	-
Deputy General Manager of Legal Affairs Department	Mainland China	Wang, Yu-Xia	Female	March 26, 2011	-	-	-	-	-	-	CEO of United States Cellular Corporation, China Director & Vice Chairperson of For You Healthcare Technology Co., Ltd.	Note	-	-	-
Products R&D Department Deputy General Manager	Republic of China	Chen, Pai-Ying	Female	June 1, 2017	-	-	-	-	-	-	EMBA, Business Administration Section, National Taiwan University Deputy General Manager of Marketing Department, Peifang International Co., Ltd.	Note	-	-	-
Supply Chain Deputy General Manager	Republic of China	Lin, Mei-Fang	Female	December 20, 2018	-	-	-	-	-	-	Master of Communication, Fort Hays University General manager, Youyue (Beijing) Education Technology Co., Ltd.				

Note 1: Pan, Chung-Cheng, General Manager of Supply Chain was discharged on August 1, 2018

Note: The concurrent positions in the Company and other companies that the General Manager, Deputy General Manager, Associate General Manager and the supervisor of each department and branch are listed as follows.

Title	Name	The concurrent position in the Company (including companies inside the Group)	The concurrent position in the Company (excluding companies inside the Group)
General Manager	Chen, Pi-Hua	(BVI) Chlitina Group Limited Director	Director of (BVI) Desheng Global Limited Ltd.
		(BVI) Chlitina International Limited Director	(BVI) Wealthy Garden Investment Limited Director
		(BVI) Chlitina Intelligence Limited Director	(BVI) J&R International Holding Limited Director
		Centre de Recherche et de Developpement de CHLITINA	(BVI) Pure Sky International Limited Director
		FRANCE EURL Director	Dida Business Administration Consultant Limited
		Hong Kong Chlitina International Limited Director	Director
		(BVI) Chlitina Marketing Limited Director	San Yen So International Co. Director
		(BVI) W-Amber International Limited Director	Shanghai Cheng Yang Trading Co., Ltd. Director
		(BVI) W-Amber Marketing Limited Director	Chlitina International Trade Co., Ltd. Supervisor
		Hong Kong W-Amber International Limited Director	Full Blooming Investment Co., Ltd. Director
		(BVI) W-Champion International Limited Director	Jin Yongji Co., Ltd. Director
		(BVI) W-Champion Marketing Limited Director	Chaoneng Biochemical Technology Co., Ltd.
		Hong Kong W-Champion International Limited Director	Director
		(BVI) C-Asia International Marketing Limited Director	
		Hong Kong C-Asia International Marketing Limited Director	
		Chlitina (China) Trade Limited Executive	
		Director	
		Weishuo (Shanghai) Daily Product Limited Executive	
		Director	
		Wwihu (Shanghai) Trade Limited Executive	
Director			
Wuguan (Shanghai) Trade Limited Executive			
Director			
Jingya (Shanghai) Trading Co., Ltd. Executive			
Director			
Executive Director of Shanghai Yuanshuo Management			

		Consulting Limited Executive Director and General Manager of Cuijie (Shanghai) Trading Co., Ltd. British Virgin IS. Chlitina Marketing Limited Taiwan Branch British Virgin IS., Chlitina Intelligence Limited Manager	
General Manager of Supply Chain	Pan, Chung-Cheng (Note)	General Manager of Supply Chain, Weishuo (Shanghai) Daily Product Limited General Manager of Supply Chain, British Virgin IS. Chlitina Marketing Limited General Manager of Supply Chain, Wuguan (Shanghai) Trade Limited General Manager of Supply Chain, Hong Kong Chlitina International Limited	General Manager of Supply Chain, Zhaocang (Shanghai) Trading Co., Ltd. General Manager of Supply Chain, Kelti (China) Daily Product Co., Ltd. General Manager of Supply Chain, Jin Yen (Shanghai) Biotech Co., Ltd.
General Manager of Mainland China Area	Yang, Chi-Chih	Chlitina (China) Trade Limited General Manager of Mainland China Area	None
General Manager of Taiwan and Southeast Asia	Kao, Shou-Kang	General Manager of British Virgin IS. Chlitina Marketing Limited	None
Senior Director of Financial Department	Yeh, Chien-Chih	Senior Director of Chlitina (China) Trade Limited	None
Sales Training Department Deputy General Manager	Yeh, Mei-Feng	Chlitina (China) Trade Limited Deputy General Manager	None
Legal Affairs Department Deputy General Manager	Wang, Yu-Xia	Chlitina (China) Trade Limited Deputy General Manager Weishuo (Shanghai) Daily Product Limited Deputy General Manager	Director & Vice Chairperson of Gem Fortune Group Vice Chairperson of Foreign Affairs Department, Kelti (China) Daily Product Co., Ltd.
Deputy General Manager of Products R&D Department	Chen, Pai-Ying	Deputy General Manager of Chlitina (China) Trade Limited	None

Vice Chairperson of Supply Chain	Lin, Mei-Fang	Weishuo (Shanghai) Daily Product Limited Deputy General Manager	None
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Note: Pan, Chung-Cheng, General Manager of Supply Chain was discharged on August 1, 2018

- Note 1: The names of directors shall be listed separately (for legal-person shareholder, the names of the shareholder and its representative shall be listed separately) and their remuneration details shall be summarized for disclosure. If any of the directors have concurrent position of General Manager or Vice General Manager, they shall be listed in this table or the following table (i.e., Table 3-1 or Table 3-2).
- Note 2: The remuneration of directors in the recent fiscal year, including wages, position bonuses, severance pay, rewards and other bonuses.
- Note 3: The listing of the remuneration amount of directors resolved and distributed by the Board of Directors in the recent fiscal year.
- Note 4: Expenses related to business execution of directors, (including traveling expense, special disbursement, allowance, dormitory, vehicles and other physical materials provided). For example, when providing houses, cars and other transportation tools or exclusive personal expenditure, the characteristic and cost of the asset provided, rent evaluated at actual or fair market value, refuel expense and other expenditures shall be disclosed. Besides, of there is any director accompanied with a driver, please explain the related payoff that the Company pays to the driver in footnotes, but the payoff shall not be calculated into remuneration.
- Note 5: The remuneration that a director receives for the concurrent position of employees (including concurrent General Manager, Vice General Manager, and other managers and employees) in the recent fiscal year, such as wage, position bonuses, severance pay, reward and bonus, traveling expense, special disbursement, allowance, dormitory, vehicles and other physical materials provided. For example, when providing houses, cars and other transportation tools or exclusive personal expenditure, the characteristic and cost of the asset provided, rent evaluated at actual or fair market value, refuel expense and other expenditures shall be disclosed. Besides, of there is any director accompanied with a driver, please explain the related payoff that the Company pays to the driver in footnotes, but the payoff shall not be calculated into remuneration. According to “Share-based Payment” of IFRS 2, the wage expenses recognized include obtaining employees’ share option certificates, issuing new restricted employee shares and participating in share issuance by cash, which shall also be calculated into remuneration.
- Note 6: The directors with concurrent positions as employees (including concurrent General Manager, Vice General Manager, and other managers and employees) who obtained employee remuneration in the recent fiscal year shall disclose the remuneration amount resolved and distributed by the Board of Directors in the latest year. If the amount could not be estimated, the expected distributed amount for this year shall be calculated based on the actual distribution percentage in last year, and shall be listed in the attached Table 1-3.
- Note 7: The total amount of remuneration distributed to the Company’s directors by all the companies (including the Company) in the Consolidated Financial Report.
- Note 8: The subtotal of remuneration distributed to each of the director along with their names shall be disclosed in their corresponding remuneration ranges.
- Note 9: The total amount of remuneration distributed to the Company’s directors by all the companies (including the Company) in the Consolidated Financial Report along with the name of director shall be disclosed in the corresponding remuneration ranges.
- Note 10: Net income after tax is the after-tax net income in the recent fiscal year. For companies having adopted the IFRS, net income after tax is the after-tax net income in the individual financial statement in the recent fiscal year.
- Note 11: a. In this column, the related remuneration amount that the Company’s directors received from investees other than the Company’s subsidiaries shall be listed.
b. If the Company’s directors receive remuneration from investees other than the Company’s subsidiaries, the Company shall list their remuneration received from investees other than the subsidiaries in Column I of the remuneration range table, and change the column name into “All Joint Ventures”.

c. The remuneration is the payoff, wage (including the wage of employee, director and supervisor) and business execution expense that the Company's directors obtain from the positions of the directors, supervisors or managers of investees other than the subsidiaries.

Note 12: Li, Tsung-Te automatically discharged upon expiry of term on June 5, 2018 by general election.

Note 13: Tsai, Yu-Ling elected to the 3rd Board of Directors on June 5, 2018

* Remuneration disclosed herein is different from the term "income" as defined in the Income Tax Act; this table is for information disclosure, and not for taxation purposes.

2. Remuneration to supervisors: Not applicable

3. Remuneration to President, and Vice Presidents

December 31, 2018; Unit: NTD 1,000

Title	Name	Wages (A) (Note 2)		Pension upon retirement (B)		bonuses, and special allowances, etc. (C) (Note 3)		Employee compensation (D) (Note 4)				Sum of A, B, C, and D as percentage of net income (%) (Note 8)		Remuneration from invested non-subsiary enterprise(s) (Note 9)
		The Company	Companies included into the financial statement (Note 5)	The Company	Companies included into the financial statement (Note 5)	The Company	Companies included into the financial statement (Note 5)	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement(Note 5)	
								Cash dividend amount	Share dividend amount	Cash dividend amount	Share dividend amount			
General Manager	Chen, Pi-Hua	-	23,099	-	220	-	24,795	-	-	1,200	-	-	4.05%	-
Deputy General Manager of Sales Training Department	Yeh, Mei-Feng													
General Manager of Supply Chain	Pan, Chung-Cheng (Note 10)													
Deputy General Manager of Legal Affairs Department	Wang, Yu-Xia													
Deputy General Manager of Products R&D Department	Chen, Pai-Ying													

Range of remuneration

December 31, 2018; Unit: NTD 1K

Breakdown of remuneration to general manager and deputy general managers	President and vice presidents	
	The Company	Companies included into the consolidated financial statement (E)
Below 2,000,000	-	Lin, Mei-Fang
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	-	Kao, Shou-Kang, Yeh, Chien-Chih Wang, Yu-Xia, Chen, Pai-Ying, Pan, Chung-Cheng (Note 10)
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	-	Yeh, Mei-Feng, Yang, Chi-Chih
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	Chen, Pi-Hua
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-
Over 100,000,000	-	-
Total	-	9 person

- Note 1: The names of the General Manager and Deputy General Manager shall be listed separately and their remuneration details shall be summarized for disclosure. If any of the directors have concurrent position of General Manager or Deputy General Manager, they shall be listed in this table and the above table (i.e., Table 1-1 or Table 1-2).
- Note 2: The remuneration of the General Manager and Deputy General Manager in the recent fiscal year, including wage, position bonus and severance pay.
- Note 3: Expenses related to business execution of the General Manager and Deputy General Manager, including reward, traveling expense, special disbursement, allowance, bonus, dormitory, vehicles, physical materials and other remuneration amount. For example, when providing houses, cars and other transportation tools or exclusive personal expenditure, the characteristic and cost of the asset provided, rent evaluated at actual or fair market value, refuel expense and other expenditures shall be disclosed. Besides, of there is any director accompanied with a driver, please explain the related payoff that the Company pays to the driver in footnotes, but the payoff shall not be calculated into remuneration. According to “Share-based Payment” of IFRS 2, the wage expenses recognized include obtaining employees’ share option certificates, issuing new restricted employee shares and participating in share issuance by cash, which shall also be calculated into remuneration.
- Note 4: The employee remuneration amount resolved and distributed to the General Manager and Deputy General Manager by the Board of Directors in the recent year (including shares and cash). If the amount could not be estimated, the expected distributed amount for this year shall be calculated based on the actual distribution percentage in last year, and shall be listed in the attached Table 1-3.

Net income after tax is the after-tax net income in the recent fiscal year. For companies having adopted the IFRS, net income after tax is the after-tax net income in the individual financial statement in the recent fiscal year.

Note 5: The total amount of remuneration distributed to the Company's general manager and deputy general manager by all the companies (including the Company) in the Consolidated Financial Report.

Note 6: The subtotal of remuneration distributed to each General Manager and Deputy General Manager along with their names shall be disclosed in their corresponding remuneration ranges.

Note 7: The total amount of remuneration distributed to the Company's general manager and deputy general manager by all the companies (including the Company) in the Consolidated Financial Report along with the name of general manager and deputy general manager shall be disclosed in the corresponding remuneration ranges.

Note 8: Net income after tax is the after-tax net income in the recent fiscal year. For companies having adopted the IFRS, net income after tax is the after-tax net income in the individual financial statement in the recent fiscal year.

Note 9: a. In this column, the related remuneration amount that the Company's General Manager and Deputy General Manager received from investees other than the Company's subsidiaries shall be listed.

b. If the Company's General Manager and Deputy General Manager receive remuneration from investees other than the Company's subsidiaries, the Company shall list their remuneration received from investees other than the subsidiaries in Column E of the remuneration range table, and change the column name into "All Joint Ventures".

c. The remuneration is the payoff, wage (including the wage of employee, director and supervisor) and business execution expense that the Company's General Manager and Deputy General Manager obtain from the position of the director, supervisor or manager of investees other than the subsidiaries.

Note 10: Pan, Chung-Cheng, General Manager of Supply Chain was discharged on August 1, 2018.

* Remuneration disclosed herein is different from the term "income" as defined in the Income Tax Act; this table is for information disclosure, and not for taxation purposes.

4. Managers receiving employee compensation and state of distribution

December 31, 2018; Unit: NTD 1K

	Title	Name	Share remuneration amount	Cash remuneration amount	Total	The sum as percentage of net income (%)
Managers	President	Chen, Pi-Hua				
	Deputy General Manager of Sales Training Department	Yeh, Mei-Feng	-	1,200	1,200	0.10%

General Manager of Supply Chain	Pan, Chung-Cheng (Note)				
Deputy General Manager of Legal Affairs Department	Wang, Yu-Xia				
Deputy General Manager of Products R & D Department	Chen, Pai-Ying				
General Manager of Mainland China Area	Yang, Chi-Chih				
Senior Director of Financial Department	Yeh, Chien-Chih				
Taiwan and Southeast Asia General Manager	Kao, Shou-Kang				
Deputy General Manager of Supply Chain	Lin, Mei-Fang				

Note: Pan, Chung-Cheng, General Manager of Supply Chain was discharged on August 1, 2018.

(IV) Please compare and illustrate separately the following details of the Company and all the subsidiaries stated in the Consolidated Financial Report: the ratio of total remuneration distributed to the Company's directors, supervisors, General Manager and Deputy General Manager in the recent two fiscal years to the net income after tax stated in the individual financial reports, the policy, standard and combination of remuneration, formula for setting remuneration, and the relation between operating performance and future risk.

1. The analysis regarding the ratio of total remuneration distributed to the Company's directors, supervisors, General Manager and Deputy General Manager in the recent two fiscal years to the net income after tax stated in the individual financial reports.

Unit: NTD 1,000

Item	2017		2018	
	Amount	%	Amount	%
Director	22,663	3.89	25,163	2.06
General Manager and Deputy General Managers	32,685	5.61	49,314	4.05

Consolidated net profit	582,962	100	1,218,880	100
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2. Remuneration policies, standards and packages; procedures for determining remuneration and its connection with job performance and future risks value.

- (1) The remuneration distributed to directors include the summation of NTD 11,939K of wage, NTD 12,732K of payoff, and business execution expense of NTD 492K among which:
- A. Wage remuneration resolved by the board of Directors;
- B. The payoff to directors are those regulated by the Company's Articles of Incorporation (Article 90-2) revised and passed on June 28, 2016. If there are profits at the fiscal year end, the Company can distribute at most 3% to directors as payoff, and the distribution shall be resolved by the at least one half of the directors on the board and with at least two thirds of them attending the meeting. But if the Company still has accumulated losses, the payoff shall be first retained.
- C. Business execution expense is the expense directly related to executing
- (2) The remuneration to the General Manager and the Deputy General Manager is based on their position, tenure, performance and contribution to the Company. The overall operating performance of the Company and the remuneration level in the industry will also be considered.

IV. Status of Corporate Governance

(I) Operation of the Board of Directors

From the most recent fiscal year (2018) up to the date of publication of the annual report, there were 11 Board of Directors meetings (A), 8 times in 2018 and 3 times in 2019. The directors' attendances are as follow:

Title	Name	Actual attendance (B) (Note)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairperson	Chen, Pi-Hua	11	0	100.00	
Director	Wealthy Garden Investment Limited (Representative: Chen, Pei-Wen)	6	4	54.55	
Director	Chu, Yi	11	0	100.00	
Director	Wu, Sizong	10	1	90.90	
Director	Li, Tsung-Te	3	0	100.00	Discharged on June 5, 2018. Convened 3 Board meetings prior to June 2018.
Director	Tsai, Yu-Ling	8	0	100.00	Appointed on June 5, 2018. Convened 8 Board meetings since June 2018.

Independent Director	Tsai, Yu-Ching	11	0	100.00	
Independent Director	Kao, Peng-Wen	7	4	63.64	
Independent Director	Yu, Hong-Ding	9	1	81.82	
Other items to be stated:					
I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:					
(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act.					
Board of Directors	Proposal contents	Matters identified in Article 14-3 of the Securities and Exchange Act	Independent directors' opinions	Processing of the independent directors' opinions the Company	Resolution
2nd session of the 2nd term in 2018 April 20, 2018	1. Proposal to make management distribution for 2017.	V	None	None	All attending Directors unanimously approved the measure.
3rd session of the 2nd term in 2018 May 10, 2018	1. Proposal to add related parties' transactions of the Company and subsidiaries. 2. Proposal to the the acquisition of real property of the subsidiary, Chlitina (China) Trade Limited. 3. Proposal to subsidiaries, W-Amber (Shanghai) Trade Limited of capital increase.	V	None	None	All attending Directors unanimously approved the measure.
3rd session of the 3rd term in 2018	1. Proposal to the appointment of the Company's internal auditing officer.	V	None	None	All attending Directors unanimously approved the measure.

August 9, 2018	2. To deal with investment structure and improve the efficiency of fund usage, we propose a cash refund and reduction of capital for the subsidiary, (BVI) Chlitina Group Limited.				
4th session of the 3rd term in 2018 November 8, 2018	1. Proposal to add related parties' transactions of the Company and subsidiaries.	V	None	None	All attending Directors unanimously approved the measure.
2nd session of the 3rd term in 2019 March 12, 2019	1. Proposal to the report on operation, financial statements and certified public accountants' audit report in the 2018 fiscal year. 2. Proposal to evaluate the independence of the CPA engaged by the Company as well as the professional fee paid for 2019. 3. Proposal to amend part of the Company's "Articles of Incorporation". 4. Proposal to amend part of the Company's "Regulations Governing the Acquisition and Disposal of Assets".	V	None	None	All attending Directors unanimously approved the measure.
3rd	1. Proposal to	V	None	None	All attending

<p>session of the 3rd term in 2019 April 23, 2019</p>	<p>make management distribution for 2018.</p> <ol style="list-style-type: none"> 2. Proposal to add related parties' transactions of the Company and subsidiaries. 3. Proposal to the subsidiary, Chlitina (China) Trade Limited added cases in re-invested. 4. Proposal to the appointment of the Company's internal auditing officer. 5. Proposal to lifting of the non-competition pledge obligations upon the newly elected directors. 6. Proposal to amend part of the Company's "Articles of Incorporation". 7. Proposal to amend part of the Company's "Management Approach for Loans to others". 8. Proposal to amend part of the Company's "Management Approach for Endorsement and Guarantees". 				<p>Directors unanimously approved the measure.</p>
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(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

1. The Company has established the "Regulations Governing the Procedures for Board of Directors Meetings", the Article 22 of the Regulations stipulates that when a proposal at a meeting concerns the personal interest of, or the interest of the juristic person represented by a director, the concerned director shall state the important aspects of the relationship of interest at the given board meeting, and the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.
2. In 2018 and until the date of publication of the annual report, where a conflict of interest between the Company and a director exists, the minutes shall clearly state the director's name, contents of the proposal, reasons for avoiding conflicts of interest, and actual voting counts:

Date of the Board of Directors	Proposal contents	Reasons for avoiding conflicts of interest	Actual voting counts
April 20, 2018 2nd session of the 2nd term of Board of Directors in 2018	Adopted the proposal on distribution of remuneration to managers for 2017.	The Chairperson (also the concurrent General Manager), Chen, Pi-Hua, and Yeh, Chien-Chih, the Senior Financial Controller, were both stakeholders of the proposal.	Except that Director Pi-Hua Chen and Senior Financial Controller Yeh, Chien-Chih did not participate in the discussion and voting due to conflicts of interest, the proposal was passed unanimously after the Deputy Chairperson, Chen, Pei-Wen, consulted all the other attending directors.
May 10, 2018 3rd session of the 2nd term of Board of Directors in 2018	Proposal to add related parties' transactions of the Company and subsidiaries.	The Chairperson, General Manager and the representative of juristic person, Chen, Pei-Wen, was the stakeholder of the proposal.	Except that Chairperson Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen did not participate in the discussion and voting due to conflicts of interest, the proposal was passed unanimously after the Deputy Chairperson, Tsai, Yu-Chin, consulted

			all the other attending directors.
	Proposal to the acquisition of real property of the Chlitina (China) Trade Limited	The Chairperson, General Manager and the representative of juristic person, Chen, Pei-Wen, was the stakeholder of the proposal.	Except that Chairperson Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen did not participate in the discussion and voting due to conflicts of interest, the proposal was passed unanimously after the Deputy Chairperson, Tsai, Yu-Chin, consulted all the other attending directors.
November 8, 2018 4th session of the 3rd Board in 2018	Proposal to add related parties' transactions of the Company and subsidiaries.	The Chairperson, General Manager and the representative of juristic person, Chen, Pei-Wen, was the stakeholder of the proposal.	Except that Chairperson Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen did not participate (proxy) in the discussion and voting due to conflicts of interest, the proposal was passed unanimously after the Deputy Chairperson, Tsai, Yu-Chin, consulted all the other attending directors .
December 20, 2018 5th session of the 3rd Board in 2018	Proposal to the Company's year-end bonus to managers for 2018.	The Chairperson (also the concurrent General Manager), Chen, Pi-Hua, was a stakeholder of the proposal.	Except that Chairperson Chen, Pi-Hua did not participate in the discussion and voting due to conflicts of interest, the proposal was passed unanimously after the Deputy Chairperson, Kao, Peng-Wen, consulted all the other attending directors.

<p>April 23,2019 3rd session of the 3rd Board in 2019</p>	<p>Adopted the proposal on distribution of remuneration to managers for 2018.</p>	<p>The Chairperson (also the concurrent General Manager), Chen, Pi-Hua, and Yeh, Chien-Chih, the Senior Financial Controller, were both stakeholders of the proposal.</p>	<p>With the exception of the Chairperson Chen, Pi-Hua and Senior Financial Controller Yeh, Chien-Chih who abstained due to conflict of interest, and the listed absentees, the proposal was discussed and unanimously approved by all the other attendees, led by Acting Chairperson and independent director Kao, Peng-Wen.</p>
	<p>Proposal for year-end bonus allocation plan.</p>	<p>The Chairperson (also the concurrent General Manager), Chen, Pi-Hua, and Yeh, Chien-Chih, the Senior Financial Controller, were both stakeholders of the proposal.</p>	<p>With the exception of the Chairperson Chen, Pi-Hua and Senior Financial Controller Yeh, Chien-Chih who abstained due to conflict of interest, and the listed absentees, the proposal was discussed and unanimously approved by all the other attendees, led by Acting Chairperson and independent director Kao, Peng-Wen.</p>
	<p>Proposal to add related parties' transactions of the Company and subsidiaries.</p>	<p>The Chairperson, General Manager and the representative of juristic person, Chen, Pei-Wen,</p>	<p>With the exception of the Chairperson Chen, Pi-Hua and Board representative Chen, Pei-Wen of Wealthy Garden</p>

	was the stakeholder of the proposal.	Investment Limited who abstained due to conflict of interest, and the listed absentees, the proposal was discussed and unanimously approved by all the other attendees, led by Acting Chairperson and independent director Tsai, Yu-Chin.
Proposal to the subsidiary, Chlitina (China) Trade Limited added cases in re-invested.	The Chairperson, General Manager and the representative of juristic person, Chen, Pei-Wen, was the stakeholder of the proposal.	With the exception of Chairperson Chen Pi-Hua and Board representative Chen, Pei-Wen of Wealthy Garden Investment Limited who abstained due to conflict of interest, and listed absentees, the proposal was discussed and unanimously approved by all the other attendees, led by Acting Chairperson and independent director Tsai, Yu-Chin.
Release of Directors from Non-competition Restrictions.	The representative of juristic person, Wu, Sizong , and Yu, Hong-Ding was the stakeholder of the proposal.	With the exception of the Director Wu, Sizong and Independent Director Yu, Hong-Ding who abstained due to conflict of interest, and the listed absentees, the proposal was

			discussed and unanimously approved by all the other attendees.
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III. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

1. Establishment of Functional Committee: The company has 3 independent directors, and the 3 independent directors serve as members of the Audit Committee and Remuneration Committee. The committees were set up on August 31, 2012, and the members of the 2nd term were re-elected on June 17, 2015, 3rd term were re-elected on June 5, 2018. The convener of the Audit Committee is chaired by: Dr. Tsai, Yu-Chin from the School of Accountancy at Shanghai University of Finance and Economics. The convener of the Remuneration Committee is chaired by Ms. Peng-Wen Kao.
2. Transparent disclosure of information: The Company has its own financial reporting capabilities, and the financial reports (quarterly/yearly) are all commissioned for (checking/auditing) certification by PwC Taiwan. In terms of disclosure, the Company publishes information on the Market Observation Post System of the TWSE in accordance with the laws, and discloses related business information on the (traditional Chinese/simplified Chinese/English)section of the Company's website,(including the investor section/and stakeholder section), for shareholders and stakeholders to refer to.
Note: The 3rd term of Directors (including Independent Directors) is from June 5, 2018 to June 4, 2021.

(II) Operation of the audit committee

During the current fiscal year (2018) up to the date of publication of the annual report, the Company's Audit Committee had 9 meetings (A), 6 times in 2018 and 3 times in 2019. The attendances of independent directors are presented below:

Title	Name	Actual attendance (B) (Note)	Attendance by proxy	Actual attendance rate (%) (B/A)	Note
Independent Director	Tsai, Yu-Ching	9	0	100.00	
Independent Director	Kao, Peng-Wen	8	1	88.89	
Independent Director	Yu, Hong-Ding	8	1	88.89	

Other items to be stated:

I. Where the operation of the audit committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, audit committee's resolutions and the Company's resolution of the audit committee's opinions.

(I) The circumstances referred to in Article 14-5 of the Securities and Exchange Act.

Audit Committee	Proposal contents	Matters identified in Article 14-5 of the	Independent directors' opinions	Processing of the independent directors' opinions	Resolution

		Securities and Exchange Act		the Company	
2nd session of the 2nd term in 2018 May 10, 2018	<ol style="list-style-type: none"> 1. Proposal to add related parties' transactions of the Company and subsidiaries. 2. Proposal to the acquisition of real property of the subsidiary, Chlitina (China) Trade Limited. 3. Proposal to subsidiaries, W-Amber (Shanghai) Trade Limited of capital increase. 	V	None	None	All attending Directors unanimously approved the measure.
1st session of the 3rd term in 2018 June 14, 2018	<ol style="list-style-type: none"> 1. Proposal for the election of the convener and meeting chairman for the audit committee. 2. Proposal to apply for 	V	None	None	All attending Directors unanimously approved the measure.

	<p>medium-term financial loan from Shin Kong Bank (Song An branch) in response to the Company's business operating needs and to increase flexibility in capital adjustments.</p> <p>3. Proposal to apply for medium-term financial loan from Bank SinoPac (XinZhuan branch) in response to the Company's need to distribute dividends and to increase flexibility in capital adjustments.</p> <p>4. Proposal to apply for medium-term financial loan from FuBon in response</p>				
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	<p>to the Company's business operating needs and to increase flexibility in capital adjustments.</p> <p>5. Proposal to apply for medium-term financial loan from TaiShin International Bank (revolving finance division) in response to the Company's need to distribute dividends and to increase flexibility in capital adjustments.</p>				
<p>2nd session of the 3rd term in 2018 August 9, 2018</p>	<p>1. Motion for the Company's consolidated financial statements for Q2 of 2018.</p> <p>2. Proposal to the appointment of the Company's internal</p>	V	None	None	All attending Directors unanimously approved the measure.

	<p>auditing officer.</p> <p>3. To deal with investment structure and improve the efficiency of fund usage, we propose a cash refund and reduction of capital for the subsidiary, (BVI) Chlitina Group Limited.</p>				
<p>3rd session of the 3rd term in 2018 November 8, 2018</p>	<p>1. Proposal to add related parties' transactions of the Company and subsidiaries.</p> <p>2. Proposal for the "Measures to prosecute cases of unlawful and immoral or dishonest conduct".</p>	V	None	None	All attending Directors unanimously approved the measure.
<p>4th session of the 3rd term in 2018 December 20, 2018</p>	<p>1. Proposal to the Company's Internal Audit Plan of 2019.</p> <p>2. Proposal</p>	V	None	None	All attending Directors unanimously approved the measure.

	regarding the Company and subsidiaries to the adjustment of engaging in loans to other parties.				
1st session of the 3rd term in 2019 January 14, 2019	1. Proposal to subsidiaries of the Company, W-Amber (Shanghai) Trade Limited added cases in re-invested.	V	None	None	All attending Directors unanimously approved the measure.
2nd session of the 3rd term in 2019 2019.03.12	1. Proposal to the internal control statement for 2018. 2. Proposal to the report on operation, financial statements and certified public accountants' audit report in the 2018 fiscal year. 3. Proposed to distribution of earnings of 2018. 4. Proposal	V	None	None	All attending Directors unanimously approved the measure.

	<p>to evaluate the independence of the CPA engaged by the Company as well as the professional fee paid for 2019.</p> <p>5. Proposal to amend part of the Company's "Regulations Governing the Acquisition and Disposal of Assets".</p>				
<p>3rd session of the 3rd term in 2019 April 23, 2019</p>	<p>1. Proposal to add related parties' transactions of the Company and subsidiaries.</p> <p>2. Proposal to the subsidiary, Chlitina (China) Trade Limited added cases in re-invested.</p> <p>3. Proposal to the transfer of</p>	V	None	None	All attending Directors unanimously approved the measure.

	<p>the Company's internal auditing officer.</p> <p>4. Proposal to amend part of the Company's "Management Approach for Loans to others".</p> <p>5. Proposal to amend part of the Company's "Management Approach for Endorsement and Guarantees".</p>				
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(II) Aside from the said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the Board of Directors: None.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: None.

III. The communication between independent directors, the internal audit supervisor and the accountant (shall include the major matters, methods and results of communication concerning the Company's financial and business conditions): After the establishment of the Company's Audit Committee on August 31, 2012, the Company gradually revised the procedures for acquisition or disposal of assets, management rules for lending to others, and the management rules of endorsement guarantees, which have been examined and passed by the Audit Committee. In addition, the internal audit supervisor of the Company periodically reports to the independent directors on the implementation of the annual internal audit plan. Regarding the implementation results of the internal audit plan, the improvement conditions for misconduct, and the related financial affairs, we have not found the Company to have significant flaws in internal control execution that have not been improved as of the date when the annual report was published.

Note: The 3rd Audit Committee of the Company elected Tsai, Yu-Chin to serve as the convener, and the 3rd term of the Audit Committee shall be from June 5, 2018 to June 04, 2021.

(III) Status of corporate governance, departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
I. Does the company set out and disclose its practice principles for corporate governance in accordance with the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”?	V		The company has mandated “Practice Principles for Corporate Governance” in accordance with the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and disclosed this on the Market Observation Post System.	None
II. Equity structure and shareholders’ rights of the corporation (I) Whether the company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	V		(I) The Company has set out procedures for dealing with shareholders’ proposals, doubts, disputes and litigation in its “Practice Principles for Corporate Governance”, and has appointed agents for lawsuit and non-lawsuit items, a spokesperson, and personnel in the shareholder service unit to deal with related matters. Meanwhile, the Company will coordinate with the relevant units in the company as necessary.	None
(II) Whether the company controls the list of the company’s major shareholders and who are their ultimate owners?	V		(II) The actual information provided by a stock agency is tracked monthly, and the shareholdings of directors, managers, and shareholders with shareholding exceeding 10% are regularly disclosed in accordance with the laws, in order to fully control the name list of the main shareholders and their final	None

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
			controllers.	
(III) Whether the company establishes or implements some risk control and firewall mechanisms between the corporation and its affiliates?	V		(III) The company has mandated the “Rules for Managing Related Party Transactions,” and implemented risk control and establishment of the firewall for the Company and its related parties. The Company adopts the principle of independent financial operations as the basis for business dealings.	None
(IV) Does the company set out internal standards to prohibit insiders from using non-public information on the market to buy and sell securities?	V		(IV) The company has mandated the “Management Measures for Preventing Insider Trading”, which prohibits insiders to using non-public information on the market for securities trading.	None
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors formulated a diversified approach regarding the composition of its members and implemented it?	V		(I) Proposal for Article 3 “Enhancing the Functions of the Board of Directors” of the of the “Practice Principles for Corporate Governance” and a diversified strategy. The Company’s nomination and election of the Board of Directors is conducted in accordance with the “Guidelines and Procedures for Election of Board of Directors” and the “Practice Principles for Corporate Governance”. Adopt the nomination method which, in addition to assessing the nominee’s education	None

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p>and experience, also stipulates seeking the opinions of key stakeholders. This ensures compliance with the conditions of diversity and independence.</p> <p>(II) The 8 people for the 3rd Board of Director possess the capabilities of leadership, business decision-making, management, crisis management, industry knowledge and global market perspective : Chen, Pi-Hua~ Chairman; Chen, Pei-Wen~ Director, Chu, Yi~ Director; Wu, Sizong~ Director; Director Tsai, Yu-Ling who is well-versed in the law. o The 3 Director who have capability respectively in accounting and business management are Independent Directors ~ Tsai, Yu-Chin; Kao, Peng-Wen and Yu, Hung-Ting.</p> <p>(III) The independent directors make up 37.5% of the Board while female directors make up 75%.</p> <p>(IV) The diversified proposals developed by the Board of Director are loaded on the Company website as well as on MOPS.</p>	
(II) Whether the company, in addition to establishing the remuneration committee and audit committee,		V	(II) In addition to establishing the remuneration committee and audit committee, pursuant to laws, the remaining corporate governance operations are taken charge of by each dedicated department. Other functional committees have not	As per the descriptions in the left column

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
pursuant to laws, is willing to establish any other functional committees voluntarily?			been established. It will be established if evaluated as needed in the future.	
(III) Whether the company has defined the regulations governing the appraisal of the performance of the Board of Directors and the approach to conduct the appraisal, and whether it conducts the performance appraisal periodically each year?		V	(III) The Company has not set the performance evaluation rules and methods for its Board of Directors, which will be formulated if evaluated as needed in the future.	As per the descriptions in the left column
(IV) Whether the company assesses the independence of the external auditor periodically ?	V		(IV) In accordance with the respective regulations, the Company conducts an annual assessment of the suitability and independent nature of the certified public accountant who signs off on the annual report. The criteria to assess the CPA firm include the scale and reputation of the CPA firm, the number of times that the CPA firm has continuously provided audit services or provided non-audit related services (nature and scope), audit fees, peer reviews, not engaged in any legal action or under investigation by the relevant	None

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p>authorities , quality of audit services, status of continuous training, level of interaction with management and internal audit leads etc. The CPA and firm must provide the respective information, the CPA Declaration of Independence and the audit report to the Board for resolution. In the past 2 years, the resolution dates were March 8, 2017 and March 12, 2018 respectively.</p>	
<p>IV. Whether the company, which is also an exchange-listed and OTC-listed Company, delegates the unit or personnel dedicated to (concurrently in charge of) corporate governance (including but not limited to, provision of information required by directors and supervisors for carrying out business, organization of directors' meetings and shareholders' meetings, registration of incorporation and registration of changes, and production of directors' meetings and shareholders' meeting minutes)?</p>	V		<p>The Company has set up a "Corporate Governance Promotion Team" as a dedicated unit in accordance with the regulations, and regularly reports to the Board of Directors about implementation.</p>	None

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
V. Does the company establish communication channel with its stakeholders(including but not limited to shareholders, employees, customers and suppliers, etc.), set up a stakeholder section on the company's website, and respond appropriately to stakeholders regarding the important CSR issues of concern?	V		(I) The Company has a spokesman and deputy spokesperson. Relevant contact information has been announced on the Market Observation Post System in accordance with the regulations. The stakeholder section has also been set to timely respond to the various issues raised by stakeholders. (II) The Company has a hotline and e-mail address to serve as a conduit for communication with employees. The Company regularly conducts reconciliation with firms to control transactions with suppliers at any time. There is also another dedicated unit set up to maintain good communication with suppliers. (III) The Company has a customer service hot line, which is taken charge of by a dedicated unit for maintaining good communication with consumers.	None
VI. Does the company appoint a professional stock agency to handle the shareholders' meeting affairs?	V		The Company has appointed the Stock Transfer Agent of Fubon Securities Co., Ltd., for dealing with the company's various stock matters.	None
VII. Information disclosure (I) Whether the company establishes a corporate website to disclose information	V		(I) The Company declares its financial, business, and corporate governance matters on the Market Observation Post System in accordance with the laws, and synchronizes the information on its official website.	None

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
concerning financial affairs and corporate governance ?				
(II) Whether the company adopts other information disclosure channels (e.g. an English-language website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)?	V		(II) The Company has a dedicated staff to collect and publish the Company's information. It also has set up and reported relevant data of the spokesperson in accordance with the regulations, published information related to the road show, and set up an English-language website.	None
VIII. Whether the company has other important information enabling a better understanding of its corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations, stakeholders' rights, continuing education of directors	V		<u>Employee rights and interests and employee care:</u> In order to protect the rights and interests of the Company's employees, in addition to statutory protection, there are good welfare measures. There are also diversified channels to interact with the staff. Benefit measures as below: Insurance: Group business insurance. Remuneration: Performance bonus, bonus to employees, gifts (cash) for three festivals and year-end bonus. Benefits: Birthday gifts, weddings,	None

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policies, and purchasing of liability insurance by the corporation for directors and supervisors, etc.)?			<p>funeral and maternity gifts, year-end parties, and a pregnancy-friendly environment.</p> <p>Health and leisure activities: Department dinner for the staff.</p> <p>Education training: Conduct internal education training, such as new personnel training, pre-service education training, on-the-job training, and subsidized external education and training expenses, encouraging colleagues to continue education.</p> <p>Please refer to the Shareholder\Governance\Employee Care of the Company website.</p> <p><u>Investor relationships:</u> By disclosing the information through the Market Observation Post System and the Company's website, investors can fully understand the Company's operating conditions. Through shareholders meetings, road shows, and the spokesperson, the Company can also communicate with investors to maintain a relationship between the Company and investors.</p> <p><u>Supplier relationships:</u> The Company establishes partnerships with suppliers based on the principle of equality and reciprocity, in order to stabilize the supply chain.</p> <p><u>Stakeholders' rights:</u> Responsibility to the customer: The Company provides safe and high-quality products and pays attention to the opinions of customers and</p>	

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p>franchises. The complaints of customers and franchises are all immediately dealt with in order to meet their needs.</p> <p>Liability to the shareholders: Maintaining the best interests of shareholders is the Company's goal it is striving for.</p> <p><u>Continuing education of directors:</u> The Company actively encourages directors to continue education, and has also actively appointed professional organizations to offer special courses for the company. In accordance with the “Key Guidelines for the Continuous Education of TWSE/TPEX listed Directors, Supervisors”, the Company’s directors must study the laws and regulations pertaining to Securities and attend courses to fulfill the stipulated hours of continuous education. (the status of the directors’ continuous education must be disclosed on MOPS)</p> <p><u>Continuing education of managers:</u> The Company actively offers course information for the continuing education of managers and assists with curriculum arrangements. It also opens continuing education courses for the Company's directors to participate in management.</p> <p><u>Implementation of risk management policy and risk measurement criteria:</u> : The Company continues to be concerned about the key risk items that affect the Company's operation, ensuring that the risks are controlled within acceptable limits.</p>	

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p><u>Implementation of customer policy:</u> Uphold the business philosophy of “customer first”, and adhere to providing the best products to consumers and franchise stores.</p> <p><u>Purchase of liability insurance by the company for directors and supervisors:</u> The Company has purchased liability insurance for directors, supervisors and managers.</p>	
IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of the TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies. (Note 2)	V		<p>The Company has referred to the Company's self-assessment project of corporate governance as a reference for management.</p> <p>The following items explain the improved situations according to the results of the corporate governance evaluation:</p> <ol style="list-style-type: none"> 1. The organization and operation of the functional committees must be disclosed on the company website. 2. The stakeholders’ identities, issues of concern, communication channels and method of response must be disclosed on the company website. 3. The Company’s internal policies newly uploaded include guidelines on ethical and moral behavior, measures to prosecute cases of unlawful and immoral or dishonest conduct. 4. Updated information in regards to employee care on the Company website. <p>Those who have not improved shall propose matters and measures to be strengthened with priority:</p> <ol style="list-style-type: none"> 1. Matters to be strengthened with 	As per the descriptions in the left column

Scope of Assessment	Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p>priority: The part that the Company's website discloses</p> <p>2. Measures for the matters to be strengthened: Strive to evaluate the appropriate execution approach in order to enhance the Company's execution result of corporate governance.</p>	

Note 1: Regardless of "Yes" or "No", the status shall be stated in the "Summary" section.

Note 2: Considering that the Corporate Governance Center of the Taiwan Stock Exchange has started to disclose the corporate governance evaluation results of TWSE (GTSM) listed companies monthly since April 2015, strengthening part of the Company's issues via the previous evaluation results will help improve the Company's corporate governance level.

(IV) Describe the composition, duties and operations of the remuneration committee:

1. Information about the remuneration committee members

Identity	Qualification Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 2)								Number of positions as a Remuneration Committee Member in other public listed companies	Remarks (Note 3)
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of a professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Kao, Peng-Wen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	Not applicable
Independent Director	Tsai, Yu-Ching	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Not applicable
Independent Director	Yu, Hong-Ding	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	Not applicable

Note 1: Please specify director, independent director or others.

Note 2: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

- (1) Not an employee of the company or an affiliate.
- (2) Not a director or supervisor of the company or an affiliate. However, the person may be an independent director appointed by the company, its parent company, or a subsidiary pursuant to this Act or the local laws and regulations.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Is not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is a director, supervisor, or employee of

one of the five largest institutional shareholders in terms of shareholdings.

- (6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares of a certain company or organization that has a financial or business relationship with the company.
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
- (8) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

Note 3: If the member is a director, please indicate whether it complies with Paragraph 5, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.

2. Remuneration Committee's duties

According to the Company's “Remuneration Committee Articles of Association”, the Remuneration Committee shall perform the following functions honestly with due diligence, and submit their motions to the board of directors for discussion:

- (1) Determine and periodically review the performance appraisal on directors and managers, and remuneration policy, system, standard and structure;
- (2) Periodically evaluate and determine the remuneration to directors and managers.
- (3) When fulfilling the above responsibilities, the Committee must adhere to the following principles:
 - a. Ensure that the remuneration packages for the Company and its subsidiaries comply with the regulations and are attractive to potential talent.
 - b. With respect to the performance assessments and remuneration of directors (including independent directors) and managerial personnel of the Company, refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and, amount of time invested, the role, individual performance and performance in other roles. In recent years, the remuneration for similar roles in the Company and its subsidiaries has been derived from the assessment of achievement of the short and long-term business goals, financial health, taking into account the reasonableness of the correlation between the individual's goal, the business performance of the Company and its subsidiaries and potential risks.
 - c. Directors (including independent directors) and managers must not, in pursuit of salary remuneration, be allowed to engage in risk-taking activities beyond the risk appetite of the Company and its subsidiaries.
 - d. When determining the ratio of compensation for the short-term performance and the time at which the variable part of remuneration is paid to the directors and senior management, the characteristics of the industry and the nature of the business of the Company and its subsidiaries must be taken into account.
 - e. When determining the contents of the remuneration and the amounts of the directors (including independent directors) and managerial personnel, assess the reasonableness of the remuneration in that it should be commensurate with the financial performance. If there is a significant decrease in profits or long-term loss, the remuneration cannot be higher than

that of the previous year. If the remuneration is higher, the reasonableness must be duly disclosed in the annual report and reported at the shareholders' meeting.

- f. Committee members must not participate in discussions or decisions about their own remuneration.

The remuneration package mentioned in the above 2 paragraphs includes cash remuneration, stock options, dividends, retirement benefits, severance pay, various allowances and other tangible incentives. The scope must be aligned with the remuneration of the directors (including independent directors) and managerial personnel as stipulated in the reporting guideline for listed companies.

If the remuneration of the directors (including independent directors) and managerial personnel of the Company and its subsidiaries is handled by a subsidiary, the Committee must first submit the proposal to the Board before resolution can be passed by the Board.

3. Information concerning the remuneration committee

- (1) The Company's remuneration committee consists of 3 members.
- (2) Term of the board members: The second term of directors is from June 17, 2015 to June 16, 2018., 2018; 3rd term shall be from June 5, 2018 to June 4, 2021; during the current fiscal year up to 2018 when the annual report was printed, there were 4 Remuneration Committee meetings (A) (3 times in 2018 and 1 times in 2019.) The qualifications and attendances of the members are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate % (B/A)	Remarks
Convener	Kao, Peng-Wen	4	-	100.00	Independent Director
Member	Tsai, Yu-Chin	4	-	100.00	Independent Director
Member	Yu, Hung-Ting	2	2	50.00	Independent Director

Other items to be stated:

- I. If the board of directors does not adopt, or amends, the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the board of directors, and the company's handling of the remuneration committee's opinions (if the remuneration approved by the board of directors is superior than that suggested by the remuneration committee, please specify the deviation and reason): None.
- II. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.
- III. Note: The 3rd Committee of the Company elected Kao, Peng-Wen to be the convener of the 3rd Remuneration Committee. The term of the members shall be from June 5, 2018 to June 4, 2021.
- IV. Processing of the Remuneration Committee's meeting contents, decisions made and the Company's opinion on the Committee.

Remuneration Committee	Proposal contents and subsequent operations	Resolution	The company's handling of the remuneration committee's opinions
1st of Session Second in Year 2018 April 20, 2018	1. Proposal regarding distribution of remuneration to directors and employees for 2017. 2. Proposal regarding distribution of remuneration to directors for 2017. 3. Proposal on distribution of remuneration to managers for 2017.	Approved by all the members unanimously.	1st and 2nd proposal was approved by all present directors unanimously. Except that Director Chen, Pi-Hua and Senior Financial Controller Yeh, Chien-Chih did not participate in the discussion and voting due to conflicts of interest, the 3rd proposal was approved by all present directors unanimously.
1st session of the 3rd term in 2018 June 14, 2018	Select the convener and meeting chairperson for the Remuneration Committee.	Approved by all the members unanimously.	The proposal was approved by all present directors unanimously.
2nd session of the 3rd term in 2018 December 20, 2018	1. Proposal regarding evaluation of remuneration to directors and employees for	Approved by all the members unanimously.	1st and 3rd proposal was approved by all present directors unanimously. Except that Chairperson Chen, Pi-Hua and Senior Financial Controller Yeh,

	<p>2019.</p> <p>2. Proposal to the Company's year-end bonus to managers for 2018.</p> <p>3. Proposal to recruit important executives.</p>		<p>Chien-Chih did not participate in the discussion and voting due to conflicts of interest, the 2nd proposal was approved by all present directors unanimously.</p>
<p>1st session of the 3rd term in 2019 April 23, 2019</p>	<p>1. Proposal regarding distribution of remuneration to directors and employees for 2018.</p> <p>2. Proposal regarding distribution of remuneration to directors for 2018.</p> <p>3. Adopted the proposal on distribution of remuneration to managers for 2018.</p> <p>4. Proposal for year-end bonus allocation plan.</p>	<p>Approved by all the members unanimously.</p>	<p>1st and 2nd proposal was approved by all present directors unanimously. Except that Chairperson Chen, Pi-Hua and Senior Financial Controller Yeh, Chien-Chih did not participate in the discussion and voting due to conflicts of interest, the 3rd and 4th proposal were approved by all present directors unanimously.</p>

(V) Fulfillment of corporate social responsibility

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
<p>I. Corporate governance report</p> <p>(I) Whether the company has defined corporate social responsibility policies or systems within the corporation? How is the progress and effectiveness of such policies?</p>	V		(I) The Company has mandated the “Practice Principles for Corporate Social Responsibility”, in which an enterprise shall actively implement corporate social responsibility during operation to meet the international trend of balancing environment, society, and corporate governance development.	None
<p>(II) Whether the company organizes any corporate social responsibility education and training program periodically?</p>	V		(II) The Company continues to promote its business philosophy and social responsibility obligations through various conferences.	None
<p>(III) Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board</p>	V		(III) At present, the Corporate Governance Promotion Group of the Company is responsible for the promotion of corporate social responsibility, with the convener and deputy convener appointed by the Board of Directors. The group carries out business related to CSR, reports to the Chairperson on the issues found, and reports the situation to the Board of Directors at least once annually.	None

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
of Directors?				
(IV) Has the Company defined some reasonable compensation policy, integrated corporate social responsibility with employees’ performance evaluation, and established some clear and effective reward/disciplinary system?	V		(IV) The Company has work rules for employees (including compensation and performance incentives, etc.), which clearly standardizes remuneration, rewards and punishments. The Company shares its profits with the staff, so that the staff’s salaries and the Company’s operations can grow together, which is in accordance with corporate social responsibility.	None
II. Fostering a sustainable environment (I) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	V		(I) The group has now implemented the following measures to enhance the efficiency of resource utilization: 1. Office photocopying uses recycled paper or duplex printing. 2. Gradually change the lighting fixtures to LED lamps to reduce power consumption. 3. Recycled paper has gradually been used in the carton packaging for transportation. For printing ink, we also require manufacturers to change into environmental-friendly soybean ink to reduce the environmental load.	None
(II) Has the Company established	V		(II) The Group’s subsidiary, Weishuo (Shanghai) Daily	None

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
environmental policies suitable for the Company’s industrial characteristics?			Product Limited passed ISO14001 of the international environmental system certification at the year end of 2014. The environmental management system has been established.	
(III) Whether the company is aware of how climate change impacts business operations, or has conducted investigation into greenhouse gases, or defines some energy saving and carbon/greenhouse gas reduction strategies?	V		(III) Accompanied by ISO14001 Certification obtained, the Company has formulated a policy of energy-saving and carbon reduction, and is implementing the policy, such as: 1. The production line shall continue producing as much as possible within the feasible range. Reducing clean water consumption when changing the lines will also simultaneously reduce the production of wastewater. 2. During the lunch break or when 80% of the employees are not in the office, the lights and air conditioning shall be turned off, and only necessary lighting and ventilation settings are turned on.	None
III. Preserving public welfare (I) Whether the company has established the related management policies and procedures in accordance with the	V		(I) The Company has staff working standards in accordance with labor laws and related personnel norms, in order to protect the legitimate rights and interests of employees. (II) The Company supports and adheres to the relevant	None

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
relevant laws and international human rights conventions?			international laws and guidelines on labor rights, including “UN Universal Declaration of Human Rights”, “UN Guiding Principles on Business & Human Rights”, “UN Global Alliance” and “UN International Labor Organization”.	
(II) Whether the company has established any employee complaint mechanism and channel, and takes care of such complaints adequately?	V		(III) The Company has established an employee complaint system and has a hotline and e-mail address as a conduit for employee complaints. The complaint is handled by a dedicated unit designated by the Corporate Governance Promotion Group, and the results shall be reported to the management. To ensure workplace safety, no combustible or hazardous materials should be stored within the premises. Enforce the Smoke Provision Law of strictly no smoking within the premises. Drinking water dispensers must be implemented according to the regulatory standards, with regular maintenance and cleaning. Workplace hygiene and cleanliness must be regularly maintained by an accredited professional cleaning service provider.	None
(III) Whether the company provides the existence of a	V		(IV) The Company regularly overhauls the fire equipment, sanitary equipment, and escape	None

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
safe and healthy work environment, and conducts regular health and safety training for employees?			doors(ladders), provides the benefit of an annual health examination for employees, and organizes labor safety and health education training to implement providing a safe and healthy working environment for employees.	
(IV) Whether the company establishes a mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	V		(V) The Company continues to communicate with the staff to understand their recognition degree of the Company's policy, and timely announces the Company's operating principles and operating trends, to help the staff and grow together with the Company.	None
(V) Whether the company has established some effective career development training plan for employees?	V		(VI) The Company provides internal and external training courses, lectures and other information in terms of staff career development, so that employees can properly perform their business in the current position while obtaining necessary skills for promotion.	None
(VI) Has the Company established the related consumer protection policies and complaints procedures toward the R&D, procurement,	V		(VII) The Company has a customer service hotline, and the Customer Service unit is responsible for timely processing of relevant complaints.	None

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
production, operation and service procedures?				
(VII) Whether the company markets and labels products and services in accordance with the related laws and international practices?	V		(VIII) The marketing and labeling of the Company's products have been audited by a dedicated unit, in order to confirm that the sale is listed after complying with the relevant regulations of the local government.	None
(VIII) Whether the company assesses its suppliers' records of environmental protection and society before trading with the supplier?	V		(IX) The Company focuses on environmental and social protection. In choosing suppliers, it prefers to choose manufacturers with relevant environmental protection certifications, and pays attention to whether the manufacturer has an impact on the environment and society, which serves as an important reference for future cooperation.	None
(IX) Whether the contract between the corporation and its main supplier includes a provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable adverse effects on the environment or	V		(X) Our contracts with manufacturers have stipulated that the Company has the right to terminate the contract immediately if the manufacturer creates bad effects or is being investigated by the competent authority due to illegal operation.	None

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
society, the corporation may terminate or rescind the contract?				
IV. Enhancing information disclosure (I) Whether the company discloses relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?	V		The Company has disclosed relevant information about corporate responsibility on the Company's website, annual reports, and public brochures.	None
V. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: In February 2013, the Company implemented the ‘Corporate Social Responsibility Principles’ to facilitate and guide the operation of CSR activities which have since been complied with				
VI. Other information material to the understanding of the corporate social responsibility:				
<ol style="list-style-type: none"> 3. Environmental protection: The Company is responsible for environmental protection by law enforcement. 4. Community participation, social contributions, social services and social welfare: The Company applies its brand influence, is committed to the integration of social public welfare, and accomplishes the obligations and responsibilities of good business management . 5. Consumer rights and interests: The Company has a customer service hotline responsible for handling customer complaints. 6. Human rights: The company's employees are treated equally in their employment opportunities regardless of their gender, religion and political inclinations. The Company also creates a good working environment to ensure that employees are free from discrimination and harassment. The Company adheres to the guidelines established by international policies on labor rights including “UN Universal Declaration of Human Rights”, “UN Guiding Principles on Business & Human Rights”, “UN Global Alliance” and “UN International Labor Organization”. 7. Safety and health care: The Company is in line with the government regulations to implement safety and health affairs. 8. Other social responsibility activities: Participate in disaster donations, fulfill the duty of social responsibility, care for the life of children and learning in rural areas. 				

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
VII. If the company’s corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below: None.				

Note 1: Regardless of “Yes” or “No”, the status shall be stated in the “Summary” section.

Note 2: Where the company has prepared a Corporate Social Responsibility Report, the summary thereof may not be required. Only if this report specifies to refer to the Corporate Social Responsibility Report will it be needed, or may be replaced by the index page number.

(VI) The situation that the Company fulfills operation with integrity and the implementation measures

Scope of Assessment	Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
VIII. Enactment of ethical management policy and program (I) Whether the company expressly states the ethical policy and its fulfillment by the board of directors and the management in its Articles of Incorporation and public documents?	V		(I) The Company has “Principles for Operation with Integrity”, which has been submitted to and passed by the Board of Directors. That is, it is the commitment of implementation between the board and the management.	None
(II) Whether the Company defines the policy against unethical conduct, and expressly states the SOP, guidelines and reward	V		(II) The Company has the “Procedures and Behavior Guide for Operation with Integrity”, which clearly regulates operating procedures and the punishments when violations occur, and implements it.	None

and disciplinary & complaining systems for misconduct, and also implements the policy precisely?			
(III) Whether the company takes any preventative measures against the operating activities involving highly unethical conduct under Paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or within other operating areas?	V	(III) The Company has established internal control systems and regulations for business activities that are more likely to be dishonest, and internal auditors have also stepped up checking on such items during auditing, in order to reduce the likelihood of dishonest behavior.	None
IX. Implementation of ethical management (I) Whether the company assesses a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	V	(I) The Company will evaluate the related record with the counterparty before the transaction, which is an important reference for cooperation. It has been stated in the contract with the supplier that the employees of the Company are not allowed to ask for and receive commissions from the manufacturer, and that the manufacturer shall not give red envelopes, gifts, or provide entertainment for any reason. If this occurs, the Company may terminate the purchase contract, and the manufacturer shall bear all losses and expenses.	None
(II) Whether the company has established a dedicated unit (concurrently engaged in) to promote corporate ethical management, and reports the execution	V	(II) The Corporate Governance Promotion Group of the Company is currently responsible for promoting matters related to operation with integrity. The convener and deputy convener are appointed by the Board of Directors to promote business, and	None

thereof to the Board of Directors?			shall report to the Board of Directors every six months.	
(III) Whether the company defines any policy against conflict of interest, provides adequate channels thereof, and fulfills the same precisely?	V		(III) The Company has set out the principle of preventing conflicts of interest in the “Code of Ethical Conduct”. In the “Procedures and Behavior Guide for Operation with Integrity,” the reporting channel when conflict of interest occurs is also stated, by which the Company’s staff can implement following the procedures.	None
(IV) Whether the company has fulfilled its ethical management responsibility by establishing an effective accounting system and internal control system, and had an internal audit unit conduct periodic audits, or appointed an external auditor to conduct audits?	V		(IV) In the accounting system and internal control system design, the Company has taken into account the needs of operation with integrity. The Company’s auditing unit has also checked its effectiveness in the internal control audit. Besides, in accordance with the act of going listed, the Company also appoints CPAs to perform internal control audits every year to confirm the effectiveness of the Company's internal control system.	None
(V) Whether the company organizes internal/external education training programs for ethical management periodically?	V		(V) The Company has mandated the “Procedures and Behavior Guide for Operation with Integrity”, which built the concept of operation with integrity into our corporate culture, and promotes the concept in various conferences and educational training sessions to implement the policy. Organized in 2018. External training (including laws and guidelines on business integrity and ethical business processes, products, accounting systems etc). number of persons (‘391). Total hours (‘650)	None
X. Status of the Company’s complaint system (I) Whether the company has defined a specific	V		(I) The Company has identified the report and reward process as per the “Measures to prosecute cases	None

complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?			of unlawful and immoral or dishonest conduct”. The appointed Corporate Governance Promotion Team will be fully responsible for the operation of this process.	
(II) Whether the company has defined the standard operating procedure and nondisclosure mechanism toward the investigation of complaints as accepted?	V		(II) In accordance with the “Measures to prosecute cases of unlawful and immoral or dishonest conduct”, the Company has established the operational procedures and related confidentiality mechanism.	None
(III) Whether the company has adopted any measures to prevent the complainants from being abused after filing complaints?	V		(III) In accordance with the “Measures to prosecute cases of unlawful and immoral or dishonest conduct”, the person/s who made the report and the contents of the report should be kept confidential to ensure that the person/s who made the report are not subjected to retaliatory action.	None
XI. Enhancing information disclosure (I) Whether the corporation has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	V		The Company and has established its principles for operation with integrity, and has set up a website and exposed information such as the relevant corporate culture and operating principles on the MOPS and the Company’s website.	None
XII. If the corporation has established ethical management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company guiding principles for business integrity and ethical business tactics have been established in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.				
XIII. Other information of material importance to the understanding of the corporate ethical management: (I) The Company has created many employment opportunities. Besides, it has set up the				

Staff Welfare Committee, implemented a pension system, handled various staff training courses for ability enhancement and group insurance for the staff (and their relatives), arranged regular health examinations, etc., and paid attention to harmonious labor relations.

(II) Charity donations: The Company also continues to donate if the profitability is adequate enough to allow the expenditure.

(III) When doing business with manufacturers, the Company always upholds the principle of good faith and promotes the Company's philosophy of operation with integrity to the manufacturers.

Note 1: Regardless of “Yes” or “No”, the status shall be stated in the “Summary” section.

(VII) A company should disclose its inquiry method if it has set up its principles for corporate governance and relevant regulations.

The Company has set up the “Practice Principles for Corporate Governance”, and exposed the corporate governance principles and related regulations on the website or other ways. The IR Investor Section of the Company: <http://www.chlitinaholding.com/>

(VIII) Other important information enabling better understanding of the Company’s corporate governance: None.

(IX) Implementation of the internal control system:

1. Internal control statement


麗豐股份有限公司
內部控制制度聲明書


日期：民國一〇八年三月十二日

本公司民國一〇七年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」（以下簡稱「處理準則」）規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國一〇七年十二月三十一日的內部控制制度（含對子公司之監督與管理），包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國一〇八年三月十二日董事會通過，出席董事八席中，有()席持反對意見，餘均同意本聲明書之內容，併此聲明。

麗豐股份有限公司

董事長：陳碧華 

總經理：陳碧華 

(X) During the most current fiscal year up to the date the annual report was printed, the situation that the Company and its internal personnel are punished according to law, the punishment of the Company's internal personnel for violating the internal control system provisions, and the main deficiencies and improvement: No.

(XI) Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report.

1. Important resolutions and implementation of the annual General Shareholders' Meetings and Ad Hoc Shareholders' Meetings:

Date	Meeting type	Significant resolutions	Implementation status
June 5, 2018	Regular shareholders meeting	1. Proposed to business report of 2017.	The Chairperson consulted all the participating shareholders.
		2. Proposal for an audit report of 2017 from the audit committee.	The Chairperson consulted all the participating shareholders.
		3. Report 2017 employees' profit sharing bonus and directors' compensation.	The Chairperson consulted all the participating shareholders. The allocation of compensation is: employees are allotted NTD 12,607,906 and directors are allotted NTD 6,304,453, and all paid in cash.
		4. Proposed to related parties transactions statements of 2017.	The Chairperson consulted all the participating shareholders.
		5. The report on the implementation of the Company's issuance of the first unsecured convertible bonds in the Republic of China.	The Chairperson consulted all the participating shareholders. As of the end of April 2018, no corporate bonds were converted.
		6. Proposal to amend part of the "Regulations governing share repurchase and transferred to employees for 2016".	The Chairperson consulted all the participating shareholders.
		7. Proposal to implementation report on repurchasing of the Company's shares.	The Chairperson consulted all the participating shareholders.
		8. Proposal on the business report and financial statements of 2017.	Upon voting, the motion was approved accordingly as original. The Company's annual operating Income for 2017 was NTD 3,290,702,000, the current net profit is

			NTD 582,962,000, and earnings per share of common stock is NTD 7.41.
		9. Proposal for the distribution of earnings of 2017	<p>Upon voting, the motion was approved accordingly as original.</p> <p>In the 2017 annual earnings distribution of the Company, earnings available for allocation of dividends to shareholders totaled NTD 516,700,275, where cash dividends amounted to NTD 516,700,275. (Based on the qualified share of 78,695,350 shares on March 8, 2018, cash dividend per share was NTD the 6.5658), and were rounded to dollars, with the total number less than one dollar transferred to other income by the Company. August 1, 2018 is set as the dividend record date, and the stop conversion period for convertible bonds is July 9, 2018 to August 1, 2018. The cash dividends were distributed on August 30, 2018.</p>
		10. Adopted the proposal regarding disbursement of cash dividends from capital surplus.	<p>Upon voting, the motion was approved accordingly as original.</p> <p>Proposed cash distribution made from additional paid-in capital is NTD 119,238,525 out of the 2017 balance of NTD 1,407,306,000. The balance of additional paid-in capital is NTD 119,238,525. (Based on the qualified share of 78,695,350 shares on March 8, 2018, cash dividend per share was NTD the 1.5152), and were rounded to dollars, with the total number less than one dollar transferred to other</p>

			<p>income by the Company. August 1, 2018 is set as the dividend record date, and the stop conversion period for convertible bonds is July 9, 2018 to August 1, 2018. The cash dividends were distributed on August 30, 2018.</p>
		<p>11. Adopted the proposal to amend part of the “Regulations Governing Procedure for Board of Directors Meetings” and “Procedures for Election of Board of Directors”.</p>	<p>Upon voting, the motion was approved accordingly as original and executed in accordance with the resolution of the shareholders' meeting.</p>
		<p>12. Elect new Directors across the Board</p>	<p>The election results of the 3rd term of Directors are stated as following: Director: Chen, Pi-Hua; Representative of Cathay United Commercial Bank Co., Ltd. acting as custodian for the investment account of Wealthy Garden Investment Limited: Chen, Pei-Wen, Chu, Yi, Wu, Sizong. Independent Director: Tsai, Yu-Chin, Kao, Peng-Wen, Yu, Hung-Ding.</p>
		<p>13. Adopted the proposal to lift the non-competition pledge obligations upon the newly elected directors and representatives.</p>	<p>Upon voting, the motion was approved accordingly as original and executed in accordance with the resolution of the shareholders' meeting.</p>

2. Significant board resolutions

Date	Meeting type	Significant resolutions
March 8, 2018	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the proposal regarding important business matters of Q4 for 2017. 2. Aware of the proposal regarding internal audit activities of Q4 for 2017. 3. Aware of the proposal regarding related parties' transactions. 4. Aware of the proposal regarding securities exchange. 5. Aware of the report that for the Company's issuance of the first unsecured convertible bond in the Republic of China, the bonds were called in advance after two years of issuance in accordance with conversion regulations, and the subsequent report on execution. 6. Aware of the proposal to continue buying "Directors and Officers Liability Insurance" of the Company. 7. Aware of the import and evaluation report of IFRS16 "Leases". 8. Adopted the proposal regarding the internal control statement for 2017. 9. Adopted the proposal regarding the business report, financial statements, and certified public accountants' audit report for 2017. 10. Adopted the proposal regarding distribution of earnings of 2017. 11. Adopted the proposal regarding disbursement of cash dividends from capital surplus. 12. Adopted the proposal regarding subsidiaries, W-Amber (Shanghai) Trade Limited added cases in re-investment. 13. Adopted the proposal to evaluate the independence of the CPA engaged by the Company as well as the professional fee paid for 2018. 14. The proposal of the Company's full re-election of directors was passed. 15. Adopted the proposal regarding nominating independent directors. 16. Adopted the proposal to lift the non-competition pledge obligations upon the newly elected directors and representatives of the Company. 17. Adopted the proposal to amend part of the "Procedure for election of directors", "Management approach of board meetings", and "Articles of Association for Audit Committee" of the Company. 18. Adopted the proposal to convene a regular shareholders meeting of Year 2018.
April 20, 2018	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the report that for the Company's issuance of the first unsecured convertible bond in the Republic of China, the bonds were called in advance after two years of issuance in accordance with conversion regulations, and the subsequent report on execution. 2. Aware of the proposal to implement the report on

		<p>repurchasing of the Company's shares and transferred to employees.</p> <ol style="list-style-type: none"> 3. Awareness of proposals to nominate independent directors submitted by shareholders with shareholdings of more than 1 %: Not Applicable 4. Adopted the proposal regarding distribution of remuneration to directors and employees for 2017. 5. Adopted the proposal regarding distribution of remuneration to directors for 2017. 6. Adopted the proposal regarding distribution of remuneration to managers for 2017. 7. Adopted the proposal to convene a regular shareholders meeting of Year 2018.
May 10, 2018	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the proposal regarding internal audit activities of Q1 for 2018. 2. Aware of the proposal regarding important business matters of Q1 for 2018. 3. Aware of the proposal regarding consolidated financial statements of Q1 for 2018. 4. Aware of the proposal regarding related parties' transactions. 5. Aware of the proposal regarding securities exchange. 6. Aware of the proposal regarding Jingya (Shanghai) Trade Limited of capital increase. 7. Adopted the proposal to add related parties' transactions of the Company and subsidiaries. 8. Adopted the proposal to the the acquisition of real property of the subsidiary, Chlitina (China) Trade Limited. 9. Adopted the proposal regarding subsidiaries, W-Amber (Shanghai) Trade Limited of capital increase. 10. Approved proposal to process treasury stocks released by Overseas Chinese employees. Proposal to apply for a custodian bank to process the "Consolidated Account for Overseas Chinese Employees with 1st TSE or TPEX listed stocks". 11. Adopted the proposal for the adjustment and increase of the Company's deputy spokesperson.
June 5, 2018	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the 3rd audit committee report. 2. Election of directors for the 3rd audit committee. 3. Approved to appoint the remuneration committee.
June 14, 2018	Board of Directors	<ol style="list-style-type: none"> 1. Adopted the proposal to establish the cash dividend distribution base date and distribute date. 2. Approved the process to increase flexibility of capital adjustments in response to the Company's business operating needs. Proposal to apply for medium-term financial loan from Shin Kong Bank (Song An branch) 3. Approved the process to increase flexibility of capital adjustments in response to the Company's business operating needs. Proposal to apply for medium-term financial loan from Bank SinoPac (XinZhuang branch) 4. Approved the process to increase flexibility of capital adjustments in response to the Company's business

		<p>operating needs. Proposal to apply for medium-term financial loan from Taipei Fubon Bank.</p> <p>5. Approved the process to increase flexibility of capital adjustments in response to the Company's dividend distribution and business operating needs. Proposal to apply for medium-term financial loan from Taishin International Ban (revolving finance division).</p>
August 9, 2018	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the proposal regarding internal audit activities of Q2 for 2018. 2. Aware of the proposal regarding important business matters of Q2 for 2018. 3. Aware of the proposal regarding the Company's consolidated financial statements of Q2 for 2018. 4. Aware of the proposal regarding related parties' transactions. 5. Aware of the proposal regarding securities exchange. 6. Awareness of derivative products used to hedge the USD risks and related measures. 7. Aware of the report that for the Company's issuance of the first unsecured convertible bond in the Republic of China, the bonds were called in advance after two years of issuance in accordance with conversion regulations, and the subsequent report on execution. 8. Awareness of the completed report on right of attribution. 9. Adopted to the proposal to the appointment of the Company's internal auditing officer. 10. Adopted to deal with investment structure and improve the efficiency of fund usage, we propose a cash refund and reduction of capital for the subsidiary, (BVI) Chlitina Group Limited.
November 8, 2018	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the proposal regarding internal audit activities of Q3 for 2018. 2. Aware of the proposal regarding important business matters of Q3 for 2018. 3. Aware of the proposal regarding consolidated financial statements of Q3 for 2018. 4. Aware of the proposal regarding related parties' transactions. 5. Aware of the proposal regarding securities exchange. 6. Aware of the report that for the Company's issuance of the first unsecured convertible bond in the Republic of China, the bonds were called in advance after three years of issuance in accordance with conversion regulations, and the subsequent report on execution. 7. Awareness of the status report on the implementation of bank loans and capital planning. 8. Adopted the proposal to add related parties' transactions of the Company and subsidiaries. 9. Approved the proposal to implement the "Measures to prosecute cases of unlawful and immoral or dishonest conduct".
December	Board of	<ol style="list-style-type: none"> 1. Aware of the proposal regarding important business

20, 2018	Directors	<p>matters for 2018.</p> <ol style="list-style-type: none"> 2. Adopted the proposal regarding evaluation of remuneration to directors and employees for 2019. 3. Adopted the proposal regarding the Company's year-end bonus to managers for 2018. 4. The proposal of appointing important managers was passed. 5. Adopted the proposal regarding the Company's internal audit plan for 2019. 6. Adopted of the proposal regarding the Company and subsidiaries to the adjustment of engaging in loans to other parties. 7. Adopted the Company's 2019 operational plans and business budget.
January 14, 2019	Board of Directors	<ol style="list-style-type: none"> 1. Adopted to the proposal to subsidiaries of the Company, W-Amber (Shanghai) Trade Limited added cases in re-invested.
March 12, 2019	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the proposal regarding internal audit activities of Q4 for 2018. 2. Aware of the proposal regarding important business matters of Q4 for 2018. 3. Aware of the proposal regarding related parties' transactions. 4. Aware of the proposal regarding securities exchange. 5. Aware of the proposal to continue buying "Directors and Officers Liability Insurance" of the Company. 6. Aware of the proposal to the subsidiary, Hong Kong Chlitina International Limited added cases in re-invested. 7. Adopted the proposal regarding the internal control statement for 2018. 8. Adopted the proposal regarding the business report, financial statements, and certified public accountants' audit report for 2018. 9. Adopted the proposal regarding distribution of earnings of 2018. 10. Adopted the proposal to evaluate the independence of the CPA engaged by the Company as well as the professional fee paid for 2019. 11. Adopted the proposal to amend part of the Company's "Articles of Incorporation". 12. Adopted the proposal to amend part of the Company's "Regulations Governing the Acquisition and Disposal of Assets". 13. Adopted the proposal to amend part of the Company's "Practice Principles for Corporate Governance". 14. Adopted the proposal to convene a regular shareholders meeting of 2019.
April 23, 2019	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the implementation of the Company's issuance of the first unsecured convertible bond in the ROC. 2. Awareness of the plan to establish overseas subsidiaries for business expansion. 3. Adopted the proposal regarding distribution of

			n	strati on	urce s						
Pricewaterhouse Coopers Certified Public Accountants	Lin, Chun -Yao and Chan g, Shu- Chiung	9,880	0	0	0	5,795	5,795	V	-	2018/1 /1 – 2018/1 2/31	Note

Note: 1. The Company does not have the issue listed in Item 11, Paragraph 5, Article 10 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”.

2. The professional fees for the Company’s CPAs have been approved by the Audit Committee and submitted to the Board of Directors for approval. The Board of Directors then authorized the Chairperson and the accountant for resolution.

(I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm account for one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: Content of non-audit-related services refers to the consulting fees for advance payment provision and optimizing the integration of production and marketing.

(II) When there is replacement of the accounting firm and the payment of professional audit fees are less than that in the previous year, the company shall disclose the amount and the reason for the audit fees before and after the replacement: No such cases.

(III) If the audit fees are reduced by more than 15% as compared with the previous year, the amount, proportion and reason for the audit fee reduction shall be disclosed: None.

VI. Information of replace the independent auditor: None.

VII. Auditing firm or its affiliates at which the Company’s Chairperson, president, or managers responsible for financial or accounting matters was an employee over the past year: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, manager, or shareholder with a stake of more than 10% during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

(I) Directors, supervisors, managers and shareholders whose shareholding ratio exceeds 10%:

Units: 1K shares

Title	Name	2018		As of April 30, 2019 (Note 1)	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairperson President	Chen, Pi-Hua	(60)	-	-	-

Directors and major shareholders	Wealthy Garden Investment Limited (Wealthy Garden Investment Limited)	-	-	-	-
Director representative:	Chen, Pei-Wen	-	-	-	-
Director	Chu, Yi	-	-	-	-
Director	Wu, Sizong	-	-	-	-
Director	Tsai, Yu-Ling	-	-	-	-
Independent Director	Tsai, Yu-Ching	-	-	-	-
Independent Director	Kao, Peng-Wen	-	-	-	-
Independent Director	Yu, Hung-Ding	-	-	-	-
Director	Li, Tsung-Te (Note 2)	-	-	-	-
Deputy General Manager of Sales Training Department	Yeh, Mei-Feng	-	-	-	-
Deputy General Manager of Legal Affairs Department	Wang, Yu-Xia	-	-	-	-
Deputy General Manager of Marketing Department	Chen, Pai-Ying	-	-	-	-
General Manager of Mainland China Area	Yang, Chi-Chih	45	-	-	-
Senior Director of Finance & Accounting Department	Yeh, Chien-Chih	25	-	-	-
General manager of Taiwan and Southeast Asia	Kao, Shou-Kang	-	-	-	-
Deputy General Manager of Supply Chain	Lin, Mei-Fang	-	-	-	-
General Manager of Supply Chain	Pan, Chung-Cheng (Note 3)	29	-	-	-

Note 1:As of the date of book closure, which is April 7, 2019 to June 5, 2019.

Note 2:Director Li, Tsung-Te has been discharged as of June 5, 2018, by unanimous vote of the Board of Directors and the shareholders' general meeting.

Note 3: Pan, Chung-Cheng, General Manager of Supply Chain was discharged on August 1, 2018.

(II) Equity transfer: None.

(III) Equity pledge information: None.

IX. Information of the Top 10 Shareholders Being Related Parties

April 30, 2019

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using other's name		Information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships		Note
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Title or name	Relationship	
1. Cathay United Commercial Bank Co., Ltd. acting as custodian for Wealthy Garden Investment Limited Representative: Chen, Wu-Kang	28,056,000	35.29%	-	-	-	-	CTBC Bank Co., Ltd. acting as custodian for J&R International Holding Limited	The Chairperson is a first-degree relative	
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited	The same person serves as Chairperson	
							CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd.	The Chairperson is a second-degree relative	
2. CTBC Bank Co., Ltd. acting as custodian for J&R International Holding Limited Representative: Chen, Pi-Hua	3,383,202	4.26%		-	-	-	Cathay United Commercial Bank Co., Ltd. acting as custodian for Wealthy Garden Investment Limited	The Chairperson is a first-degree relative	-
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited	The Chairperson is a first-degree relative	
							CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd.	The Chairperson is a first-degree relative	

3. HSBC Bank (Taiwan) Limited acting as custodian for the investment account of Morgan Stanley & Co. International Limited	2,576,702	3.24%	-	-	-	-	-	-	-
4. Nan Shan Life Insurance Company, Ltd.	2,546,000	3.20%	-	-	-	-	-	-	-
5. Standard Chartered Bank entrusted with the custody account Kuonia Fund - low-risk emerging market stocks Stock	1,968,189	2.48%	-	-	-	-	-	-	-
6. CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd. Representative: Chao, Cheng-You	1,950,617	2.45%					Cathay United Commercial Bank Co., Ltd. acting as custodian for Wealthy Garden Investment Limited	The Chairperson is a second-degree relative	-
							CTBC Bank Co., Ltd. acting as custodian for J&R International Holding Limited	The Chairperson is a first-degree relative	
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited	The Chairperson is a second-degree relative	
7. Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited Representative: Chen, Wu-Kang	1,893,600	2.38%					Cathay United Commercial Bank Co., Ltd. acting as custodian for Wealthy Garden Investment Limited	The same person serves as Chairperson	-
							CTBC Bank Co., Ltd. acting as custodian for J&R International Holding Limited	The Chairperson is a first-degree relative	
							CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd.	The Chairperson is a second-degree relative	
8. Datong acting as custodian of StichtingAPG new shares	1,267,000	1.59%	-	-	-	-	-	-	-

9. Citibank acting as custodian for the investment account of Norges Bank	1,160,000	1.46%	-	-	-	-			
10. Deutsche Bank AG acting as custodian for California State Teachers' Retirement System of State Street Corporation	1,115,000	1.40%	-	-	-	-			

Note 1: All the top 10 shareholders are listed, and for those who are corporate shareholders, the names of the corporate shareholder and the representative are listed respectively.

Note 2: The calculation of the shareholding ratio refers to the calculation of the shareholding ratio in the name of oneself, spouse, minor child, or use of others.

Note 3: The shareholders listed above include legal persons and natural persons, to disclose the relationship between each other according to the regulations governing the preparation of financial reports.

Note 4: The date of the Company's book disclosure is April 07, 2019 to June 05, 2019.

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company

December 31, 2018, Units: 1000 shares

Invested enterprise	Investment made by the company		Investment by directors, supervisors, and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Chlitina Group Limited	2,116,707,348	100%	-	-	2,116,707,348	100%
Chlitina International Limited	17,000,001	100%	-	-	17,000,001	100%
Chlitina Intelligence Limited	1	100%	-	-	1	100%
W-Amber International Limited	1,150,000	100%			1,150,000	100%
Centre de Recherche et de Development de CHLITINA FRANCE EURL	500	100%	-	-	500	100%
Hong Kong Chlitina International Limited	62,150,001	100%	-	-	62,150,001	100%
Chlitina Marketing Limited	11,622,882	100%	-	-	11,622,882	100%
W-Amber Marketing Limited	1,150,000	100%	-	-	1,150,000	100%
Hong Kong W-Amber International Limited	92,800,000	100%	-	-	92,800,000	100%
W-Champion International Limited	930,000	100%	-	-	930,000	100%
C-Asia International Marketing Limited	20,000	100%	-	-	20,000	100%
W-Champion Marketing Limited	930,000	100%	-	-	930,000	100%
Hong Kong W-Champion International Limited	2,950,000	100%	-	-	2,950,000	100%
Hong Kong Jingya International Marketing Limited	2,300,000	100%	-	-	2,300,000	100%
Chlitina (China) Limited	(Note)	100%	-	-	(Note)	100%
Weishuo (Shanghai) Daily Product Limited	(Note)	100%	-	-	(Note)	100%
Wuguan (Shanghai) Trade Limited	(Note)	100%	-	-	(Note)	100%
Weihu (Shanghai) Trade Limited	(Note)	100%	-	-	(Note)	100%
Jingya (Shanghai) Trade Limited	(Note)	100%	-	-	(Note)	100%
Shanghai Yuanshuo Management Consulting	(Note)	100%	-	-	(Note)	100%

Limited						
Beijing Yapulide Medical Cosmetology Clinic Limited (Changed from Beijing Aobaojia Medical Cosmetology Clinic Limited)	(Note)	100%	-	-	(Note)	100%
Cui Jie (Shanghai) Trading Co., Ltd.	(Note)	100%	-	-	(Note)	100%

Note: Limited company, no shares issuance.

Four. Financing Status

I. Capital and shares

(I) Equity Capital sources

N

April 30, 2019; Unit: 1K shares, NTD 1K

Date	New shares issuance price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Collateralize with assets other than cash	Others
2012.07	NT\$10	200,000	2,000,000	2,000	20,000	Established by all of the shareholders of CHLITINA Group LIMITED, and its share capital of CHLITINA Group LIMITED serves as the right price for the new shares issued when it was established.		Note 1
2012.08	NT\$10	200,000	2,000,000	66,800	668,000	Capital increase of NTD 648,000Kout of additional paid-in capital	-	Note 2
2013.11	NT\$168	200,000	2,000,000	75,707	757,070	Capital increase in cash NTD 1,496,376K	-	Note 3
2014.08	NT\$10	200,000	2,000,000	79,492	794,924	Capital increase of 37,854Kout of earnings	-	Note 4

shd on July 3, 2012, and the share capital for establishment was NTD 20,000Kwith a face value of NTD 10 per share.

Note 2:An increase of NTD 648,000Kin the capital surplus transferred to capital was resolved by the ad hoc shareholders' meeting on August 31, 2012.

Note 3:After August 17, 2012, the board of directors and August 23, 2012 shareholders temporarily through the company back to Taiwan listing case, so the public underwriting before listing and the initial listing of cash increase of NTD 1,496,376K.

Note 4: The Company's 2013 annual surplus distribution proposal was passed by the board meeting on March 12, 2014, and by the shareholders' meeting on June 19, 2014.

April 30, 2019 Units: 1K shares

Types of shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common Stock	79,492	120,508	200,000	The Company's share buyback for transferring to employees was approved by the Board of Directors on November 29, 2016, for a total of 797Kshares. This transfer was fully completed in 2018.

(II) Shareholder structure

April 30, 2019

Shareholder structure Quantity	Government agencies	Financial institutions	Person in Mainland China	Other institutions	Individuals	Foreign institute and others	Total
Persons (person)	0	0	2	39	273	2,731	3,045
Shares held (1K shares)	0	0	117	4,087	69,155	6,133	79,492
Shareholding ratio (%)	0.00%	0.00%	0.15%	5.14%	87.00%	7.71%	100.00%

Note: The date of the Company's book disclosure is April 7, 2019 to June 05, 2019.

(III) Diversification of shareholding: face value of NTD 10 per share

April 30, 2019

Shareholding category	Number of shareholders	Number of shares held (shares)	Shareholding ratio (%)
1 to 999	639	61,684	0.08%
1,000 to 5,000	1,928	3,146,671	3.96%
5,001 to 10,000	156	1,176,496	1.48%
10,001 to 15,000	52	671,075	0.84%
15,001 to 20,000	41	751,813	0.95%
20,001 to 30,000	42	1,053,865	1.33%
30,001 to 50,000	45	1,798,433	2.26%
50,001 to 100,000	53	3,805,342	4.79%
100,001 to 200,000	42	6,060,907	7.62%
200,001 to 400,000	24	6,617,577	8.32%
400,001 to 600,000	6	3,062,950	3.85%
600,001 to 800,000	4	2,590,777	3.26%
800,001 to 1,000,000	3	2,778,450	3.50%
Above 1,000,001	10	45,916,310	57.76%
Total	3,045	79,492,350	100.00%

Note: The date of the Company's book disclosure is April 7, 2019 to June 05, 2019.

(IV) Major shareholders list: Shareholders whose shareholding ratio exceeded 5%

April 30, 2019; Units: 1K shares

Major Shareholders	Shares	Number of shares held (1K shares)	Shareholding ratio (%)
Cathay United Commercial Bank Co., Ltd. acting as custodian for the investment account of Wealthy Garden Investment Limited		28,056	35.29

Note: The date of the Company's book disclosure is April 7, 2019 to June 05, 2019.

(V) Market value, net value, earnings, and dividends per share during the most recent 2 years

Unit: NT dollar; 1K shares

Item		Year	2017	2018	As of Q1 2019
Market price per share (Note 1)	Highest		167.50	344.50	316.00
	Lowest		95.10	125.00	242.00
	Average		133.10	225.71	280.85
Net worth per share (Note 2)	Before distribution (NTD)		43.80	51.75	Note 9
	After distribution (NTD)		35.80	Note 8	-
Earnings per share (Note 3)	Weighted average number of shares (1K shares)		78,722	79,148	Note 9
	Earnings per share (NT\$)	Before adjustment	7.41	15.40	Note 9
		After adjustment	7.41	15.40	-
Dividends per share	Cash dividend (NTD)		8.0427	12.00(Note 8)	-
	Stock dividends (NTD)	Out of earnings	0.00	0.00(Note 8)	
		Out of additional paid-in capital	0.00	0.00(Note 8)	
	Accumulated, unpaid dividends (Note 4)		-	-	-
ROI analysis	P/E ratio (Note 5)		17.96	Note 8	-
	P/D ratio (Note 6)		16.55	Note 8	-
	Cash dividend yield (Note 7)		6.04%	Note 8	-

Note 1: Please identify the highest and lowest market price per share of common stock for each fiscal year's average market price. Source: Securities and Exchange Act in Taiwan.

Note 2: Please apply the number of the outstanding issued shares at year-end as the basis and specify it based on the distribution resolved by the shareholders' meeting of next year.

Note 3: If there is need for retrospective adjustment due to the issuance of bonus shares, the earnings per share shall be listed for those before and after the adjustment.

- Note 4: If the terms for issuing equity securities has stated that the dividends not distributed in the current year is cumulative to the year with surplus, the cumulative unpaid dividends shall be disclosed respectively as of the year ended.
- Note 5: $P/E \text{ ratio} = \text{Average closing price per share for the year} / \text{Earnings per share}$.
- Note 6: $P/D \text{ ratio} = \text{Average closing price per share during the current fiscal year} / \text{Cash dividend per share}$.
- Note 7: $\text{Cash dividend yield} = \text{Cash dividend per share} / \text{Average closing price per share for the current year}$.
- Note 8: Approved by the Board of Directors on March 12, 2019, and will be decided after the resolution of the general shareholders' meeting.
- Note 9: As of the date on which the annual report was printed, the certified financial reports for the first quarter of 2019 has not been published.

(VI) The Company's dividend policy and implementation

1. Dividend policy set up in the Company's Articles of Incorporation

A company shall not distribute dividends and bonuses in the absence of a surplus in accordance with the Cayman Act, the regulations of TWSE/GTSM listed companies and the Articles of Incorporation. The distribution of the Company's dividends or bonuses shall be based on NT dollars during the listing period.

If the Company has profit for the current year, of which 1% to 5% shall be appropriated as the remuneration of the staff, and up to 3% shall be appropriated as the remuneration of the directors. The remuneration of the staff can be paid in stock or in cash, but if the Company has accumulated losses, it shall reserve the amount in advance. The remuneration of the employees and the directors shall be in accordance with the Cayman Act, the regulations of TWSE/GTSM listed companies and the relevant provisions of the Company's Articles of Association.

If the Company has a surplus in the current year, it shall pay or appropriate tax first, make up the previous losses, and then appropriate legal reserves (if there shall be) and special reserves (if there are any). If there are still surplus (hereinafter referred to as "Distributable Surplus"), then no less than 10% of the distributable balance of the current year can be paid as dividends to shareholders after passed by the general resolution of the shareholders' meeting, of which the amount of cash dividends shall not be less than 10% of the total dividends paid in the current year. In addition, except for the Cayman Act and the regulations of TWSE/GTSM listed companies, the Company shall, in the special resolution of the shareholders' meeting, distribute all or part of the dividends and bonuses by issuing new shares, and the execution of dividends and bonuses shall be in accordance with the Cayman Act, the regulations of TWSE/GTSM listed companies and the relevant provisions of the Company's Articles of Association.

2. Dividend policy set up in the Company's Articles of Incorporation

Regarding the Company's proposal for 2018 earnings distribution, which was approved by the Board of Directors on Tuesday, March 12, 2019 and will be proposed to the shareholders' meeting on Wednesday, June 05, 2019 for recognition of the dividends:

- (1) It is proposed to distribute cash dividends of NTD 953,908,200 to the shareholders from the distributable earnings, and the distribution will be calculated on the basis of outstanding shares on March 12, 2019, resulting in the cash dividend of NTD 12 per share. If the number of shares outstanding is affected subsequently by the purchase of the Company's shares, transfer of treasury stocks, conversion of convertible bonds, exercise of employees' stock options or transfer of shares, conversion, cancellation, capital increase or other reasons, which causes the dividend rate for the shareholders to change, then we propose to the shareholders meeting to authorize the Board to deal with it.

3. Expected significant changes in the dividend policy: none.

(VII) The impacts of issuance of bonus shares proposed by the shareholders' meeting on the Company's operating performance and earnings per share: there are no bonuses shares this year, and thus it does not apply.

(VIII) Remuneration to employees, directors and supervisors

1. The number and scope of the remuneration of employees, directors and supervisors defined in the Company's Articles of Incorporation: illustrate the Company's dividend policy and the status of implementation according to the above item (6).
2. The accounting treatment if there is a discrepancy between the actual distribution

amount and the estimated number of staff in the current period, the basis for the assessment of the remuneration of directors and supervisors, and the basis for calculating the number of shares paid to the employees for remuneration: The Company's estimated number of staff in the current period, basis for the assessment of the remuneration of directors and supervisors, and the basis for calculating the number of shares paid to the employees for remuneration are consistent with the actual distribution amount, and thus it is not applicable here. However, if subsequently there is any discrepancy between the actual distribution amount resolved by shareholders' meeting and the estimated number, the discrepancy shall be recognized as the current profit and loss in that year.

3. The distribution of remuneration passed by the Board of Directors:
 - (1) The remuneration of employees paid by cash or shares and the remuneration of directors and supervisors If there is any discrepancy with the annual estimated expense, the discrepancy number, causes and treatment shall be disclosed: there are no such cases.
 - (2) Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus remuneration to employees in the entity or individual financial statement for the current period: not applicable.
4. If there is any discrepancy between the actual distribution of remuneration of the staff, directors and supervisors in the previous year (including the number of shares distributed, amounts and share price) and the recognized remuneration of the employees, directors and supervisors, then the discrepancy number, causes and treatment shall be illustrated: No such cases

(IX) Financial holding company's buyback of the Company's shares

March 31, 2019

Time of buyback	The 1st time (period)
Purpose of buyback	Transfer of shares to employees
Buyback period	November 30, 2016 ~ January 29, 2017
Buyback price range	NTD 130~NTD 180 But if the Company's stock price is lower than the lower limit of the bought-back interval, the Company will also continue to buy back shares.
Types and numbers of bought-back shares	Common stock 797K shares
Value of shares bought back	NTD 116,562,738
Cumulative number of company shares held	797K shares
Cumulative number of company shares held	0 share
Ratio of cumulative number of the Company shares held to total outstanding shares (%)	0.00% The transfer was done in batches and completed in 2018.

II. Corporate bonds

Corporate bonds

Bond type	The first unsecured convertible bond in the Republic of China.
Date issued	Friday, November 13, 2015
Face value	NTD 100,000
Place of issuance and exchange	Republic of China
Issue price	Issuance based on face value
Total amount	NTD 900K
Interest rate	Coupon rate 0%
Duration	3-year period, expiration date: November 13, 2018
Guaranteeing institution	N/A
Trustee	Trust Department, CTBC Bank Co., Ltd.
Underwriting institution	Grand Fortune Securities Co., Ltd.
Certifying attorney	CHIEN YEHLAW OFFICES Lawyer Hung, Tung-Hsiung
Independent auditing firm	KPMG Certified Public Accountants Accountant Huang, Po-Shu, Accountant Yu, An-Tien
Repayment method	Except for the early call or sale back in accordance with the regulations of issuance and conversion, the principal is paid with cash at maturity based on the face value.
Outstanding principal balance	NTD 0
Terms for redemption or early repayment	<p>I. The Company's right to call the convertible bonds (Article 22 of the Issuance Rules)</p> <p>(I) Starting from the day which is 1 month after the issuance of the convertible bond (December 14, 2015) to the date of 40 days before maturity (October 4, 2018), if the closing price of the Company's common stock exceeds 30% (included) of the conversion price for 30 consecutive business days, within 30 business days the Company can send a "Notice of Bond Call" which expires in 30 days (the period mentioned above is calculated since the letter is sent, the call record date for the bonds is the maturity date, and the period mentioned above shall not be the stop conversion period listed in Article 10) to the bondholders (based on the names provided by the bondholder list on the 5th business days before the "Notice of Bond</p>

Call” is sent; for those investors who subsequently obtain the convertible bonds due to sale or other reasons, there shall be a publication). The notice is reported to the TPEX for publication, and all the bonds are called back in cash by the face value at maturity.

(II) Starting from the day which is 1 month after the issuance of the convertible bond (December 14, 2015) to the date of 40 days before maturity (October 4, 2018), if the outstanding shares of the convertible bond are lower than 10% of the original issue amount, then at any time thereafter the Company can send a “Notice of Bond Call” which expires in 30 days (the period mentioned above is calculated since the letter is sent, the call record date for the bonds is the maturity date, and the period mentioned above shall not be the stop conversion period listed in Article 10) to the bondholders (based on the names provided by the bondholder list on the 5th business days before the “Notice of Bond Call” is sent; for those investors who subsequently obtain the convertible bonds due to sale or other reasons, there shall be a publication). The notice is reported to the TPEX for publication, and all the bonds are called back in cash by the face value at maturity.

(III) If the bondholder does not reply the Company’s shareholders service agency in writing before the call record date listed on the “Notice of Bond Call” (which goes into effect once delivered; for those sent by the post, the date of the postmark is referred), the Company will call back all its convertible bonds in cash by the face value.

II. The right to sell of the bondholders (Article 23 of the Issuance Rules)

The day which is 2 years after the issuance of the convertible bond (November 13, 2017) is the record date for the bondholders to sell back the bonds in advance. The Company shall send a “Notice of Executing Bond Sell Back” to the bondholders 40 days before record date (based on the names provided by the bondholder list on

	<p>the 5th business days before the “Notice of Executing Bond Sell Back” is sent; for those investors who subsequently obtain the convertible bonds due to sale or other reasons, there shall be a publication). The notice is reported to the TPEX for publication of the bondholders’ execution of selling back. The bondholders can notify the Company’s shareholders service agency in writing 30 days before the record date (which goes into effect once delivered; for those sent by the post, the date of the postmark is referred) to ask the Company to call back their convertible bonds in cash with face value plus interest compensation (for bonds held more than 2 years, the compensation is 2.52% of the bond face value, with real yield equal to 1.25%). The Company accepts the request to sell back, and shall pay by remittance to the bondholders within five business days after the record date.</p>
Restrictive terms	None
Name of credit rating organization, rating date, bond rating results	N/A
Other rights	<p>Amount of the bonds already converted into (exchanged into or subscribed for) common shares, overseas depositary receipts, or any other securities until the date of publication of the annual report</p> <p>None</p>

	Issuance and conversion (traded or subscribed) regulations	Starting from the second day which is 1 month after the issuance of the convertible bond (December 14, 2015) to the maturity day (November 13, 2018), at any time the bondholders can ask the Company's shareholders service agency to convert their bonds held into common stocks according to the provisions through the broker and Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC") in accordance with Article 14, 15, 19 and 20 of the provisions, except when the Company (a) is suspended in accordance with the law; (ii) it is during period starting from 15 business days before the bonus shares book closure date, the cash dividends book closure date or the book closure date of stock issuance in cash to the record date of the right distribution; (c) it is during the period starting from the record date for the reduction of capital to one day before the converted shares begin to trade.
Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms	(I) Bonds outstanding as of November 13, 2018 have been fully paid up in cash. Therefore, incident of potential dilution of equity: Not Applicable. (II) Impacts on equity of existing shareholders: Not applicable.	
Name of commissioned custodial institution for objects exchanged	N/A	

Convertible bonds

Bond type		The first unsecured convertible bond in the Republic of China.	
Item	Year	2019	
	Convert	Highest	NTD 119.00
Corporate Bond Market price	Lowest	NTD 98.00	
	Average	NTD 106.43	
	Convert price	<ol style="list-style-type: none"> 1. Since August 10, 2016, due to the distribution of 2015 cash dividends, the conversion price has been adjusted to NTD 271.70. 2. Since August 14, 2017, due to the distribution of 2016 cash dividends, the conversion price has been adjusted to NTD 258.10. 3. Since Wednesday, August 01, 2018, due to the distribution of 2017 cash dividends, the conversion price has been adjusted to NTD 250.90. 	
Issue (execution) date and the conversion price at issue		Date of issue: November 13, 2015 Conversion price at issue: NTD 288.00	
Ways to fulfill the obligation of conversion		<ol style="list-style-type: none"> 1. Bonds outstanding as of November 13, 2018 have been fully paid up in cash. Therefore, incident of potential dilution of equity: Not Applicable. 2. No transfer requests had been made as at the transferable date 	

III. Issuance of preferred shares: None.

IV. Issuance of overseas depository receipts: None.

V. Issuance of employee stock option certificates: None.

VI. Information about new restricted employee shares: None.

VII. The execution of share issuance due to mergers or acquisitions of shares issued by other companies: None.

VIII. Implementation of capital utilization plan:

(I) The first unsecured convertible bond in the Republic of China in 2015

1. Plan contents:

(1) Total funding of this Plan: NTD 934,610K

(2) Sources of funding:

We issued 9,000 of the first unsecured convertible bond in the Republic of China with the face value of NTD 100,000 at par value. The issue period is 3 years, and the nominal interest rate is 0%. The total issue amount is NTD 900,000K.

(3) Own funds of NTD 34,610K

(4) Planned project and estimated fund utilization progress

The plan has been approved by the Financial Supervisory Commission (FSC) on October 29, 2015 with Jin-Guan-Zhen-Fa-Zhi No. 1040042486. The total amount of fund raised is NTD 900,000K is used to purchase office buildings, build O2O E-Commerce platform and logistics center. The total amount of funds required for the planned project is NTD 934,610K. The Company's plan changes for capital use was resolved by the Board of Directors on November 8, 2016, which plans to reduce NTD 336,884K of the fund for purchasing office building and reduce NTD 192,804K of the fund for establishment of the logistics center. The amounts will be used in enriching the operating funds. The proposal has been filed with the 2017 General Shareholders' Meeting for ratification. The planned project and the scheduled time for fund use after the change are presented in the following table:

Unit: NTD 1K

Plan items	Estimated time of completion	Scheduled time for fund use								Total funding of this Plan
		2015		2016				2017		
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Purchased office building	2016 Q1	-	-	138,912	-	-	-	-	-	138,912
Established O2O E-Commerce platform	2016 Q4	26,509	52,265	91,560	33,445	28,965	29,967	-	-	262,711
Established logistics center	2016 Q1	-	-	3,299	-	-	-	-	-	3,299
Enrich the operating capital	2017 Q2	-	-	-	-	-	-	400,000	129,688	529,688
Total		26,509	52,265	233,771	33,445	28,965	29,967	400,000	129,688	934,610

(5) Expected benefits generated

A. Purchased office building

The Company's main operational focus is China market, and the subsidiary CHLITINA (China) Trade Limited serves as the General Management Center, under which there are 15 branches and 11 offices. As the center managing the franchise stores in each province of Mainland China, it supports the daily sales distribution, beautician training as well as related affairs of store expansion of the franchise stores. CHLITINA (China) Trade Limited has not only purchased its operating headquarters in Shanghai, but also adopted the lease form for the remaining branches and offices currently. The Company has bought office buildings in Chengdu, Sichuan. In addition to saving rent in the future, it can provide staff with a better working environment, and be used for expanding the display, warehousing and training classroom space, so as to strengthen the local business development. Since the real estate growth in China is tremendous in the recent years, and the appropriate real estate target is not easy to inquire, on November 8, 2016, the Board of Directors resolved on changing the project, including reducing the funds of NTD 336,884K for the purchase of office buildings. The funds are then used to enrich the operating capital. Therefore, the total implementation amount of the project is NTD 138,912K after the reduction. The building construction was completed in 2016 and has been moved into for use in 2017. It is estimated to save the rent cost of NTD 3,923K.

B. Established O2O E-Commerce platform

Mainland China has a vast territory. The Company's existing chain franchise business mode of entity stores has its regional restrictions. To further expand the penetration rate of "CHLITINA"'s beauty and skincare products in Mainland China and cross sell with other healthy foods to expand operating scale, in addition to increasing entity stores' coverage by expanding franchise shops and setting new direct shops, the Company has promoted its marketing tentacles to E-Commerce platforms, which attracts online shopping groups, achieves a marketing style of full time and without regional limitation. Thus, in the project we intend to devote NTD 262,711K(including NTD 34,610Kof own funds) into the establishment and marketing promotion of an O2O E-Commerce access platform, the "New Beauty Mall". The project has been completed in the fourth quarter of 2016. With new products coming on the shelves, in the future the annual revenue from the E-Commerce platform will grow steadily. It is expected to achieve the Company's goal of multiple-corner operation.

C. Building its own logistics center

The Company originally expected to build its own logistics center in Shanghai, Chengdu, Dalian and Guangzhou, etc. But since the real estate price in China is increasing tremendously in the recent years, after evaluating and comparing the overall benefits of building the self-owned logistics center and renting storage management, the Board of Directors resolved on changing the project on November 8, 2016, which include reducing the funds of NTD 192,804Kfor the construction of logistics center. The funds are then used to enrich the operating capital. Therefore, the total implementation amount of the project is NTD 3,299Kafter the reduction, which is also the pre-expense amount of the logistics operation system. The project was completed in 2016.

D. Enrich the operating capital

After considering the tremendous fluctuation of the real estate price in Mainland China, the benefits from the purchase of office buildings and the establishment of the logistics center were not as high as expected. After careful assessment, the Board of Directors resolved on changing the project items on November 8, 2016 and adjusted the relevant fund usage. The unused total amount of NTD 529,688Kfor the purchase of office buildings and the establishment of logistics center were then used to enrich the operating capital in the first and second quarters of 2017. As of the first quarter of 2017, the full amount of \$529,688Kafter the change has been devoted into operating capital, and thus the funds of the project has been used up.

2. Implementation status

Unit: NTD 1K; %

Plan items	Implementation status		As of 2017 Implementation status	Progress or backwardness, reasons and improvement plans
Purchased office building	Expenditure amount	Scheduled	138,912	Completed
		Actual	138,912	
	Implementation	Scheduled	100.00%	

Plan items	Implementation status		As of 2017 Implementation status	Progress or backwardness, reasons and improvement plans
	progress (%)	Actual		
Established O2O E-Commerce platform	Expenditure amount	Scheduled	262,711	Completed.
		Actual	275,555	
	Implementation progress (%)	Scheduled	100.00%	
		Actual	104.89%	
Established logistics center	Expenditure amount	Scheduled	3,299	Completed
		Actual	3,299	
	Implementation progress (%)	Scheduled	100.00%	
		Actual	100.00%	
Enrich the operating capital	Expenditure amount	Scheduled	400,000	Completed
		Actual	529,688	
	Implementation progress (%)	Scheduled	75.52%	
		Actual	100.00%	
Total	Expenditure amount	Scheduled	804,922	Completed
		Actual	947,454	
	Implementation progress (%)	Scheduled	86.12%	
		Actual	101.37%	

Note: The converted exchange rate is the average spot rate of Taiwan Bank in the first quarter of 2017, RMB : NTD = 1 : 4.5226.

3. Benefit assessment

(1) Purchased office building

The Company has signed a sale and purchase contract with Chengdu Oriental Hope Tianxiang Land Co., Ltd. in the first quarter of 2016, has paid the rent, and the building has started to be used since 2017. It is expected to save the rental cost and bring benefits.

(2) Established O2O E-Commerce platform

The Company's O2O E-Commerce platform product line is still continuously growing. New products are getting put on the shelves. But in the face of the fierce competition of E-Commerce firms in Mainland China, the Company differentiates from others by its oversea high-quality products. We look forward to creating a professional and unique

beauty shopping website to achieve the Company's diversified business objectives.

(3) Building its own logistics center

The Company's Board of Directors have resolved on changing the project items on November 8, 2016, in which the unused funds for establishing the logistics center has been moved to enrich the operating capital. Thus, the construction plan of the logistics center has ceased.

(4) Enrich the operating capital

The amount spent to enrich the operating capital by the Company in the first quarter of 2017 was NTD 529,688K Estimated with PBOC's one-year average borrowing rate of 4.35%, it is expected to save the annual interest expense of NTD 23,041K.

4. The rationality of the reasons for backwardness, whether there are specific improvement plans for the impact on shareholders' rights and interests

The original project was affected by the substantial real estate price increase in China, resulting in the difficulty of inquiring appropriate office building and logistics center targets and causing the implementation progress not to be as expected. Therefore, after careful assessment, a proposal has been submitted to the Board of Directors for resolution of project change on November 8, 2016. The unused funds of NTD 529,688K for purchasing the office building and the establishment of the logistics center have been adjusted to enrich the operating capital. The proposal has been submitted to the 2017 Shareholders' Meeting for confirmation. The project after the change has been completed in the first quarter of 2017, with no significant adverse impact on shareholder's equity. The total issue amount of the Company's issuance of the first unsecured convertible bond in the Republic of China is NTD 900,000K Starting from November 13, 2015 until November 13, 2018. The Company has made full repayment as at due date.

Five. Overview of Operations

II. Operations

1. Scope of business

The Company mainly works on its own research and development and production with the self-developed brand "Chlitina" as the primary product. The Company has its own distribution channels, including franchised beauty salons, e-commerce, medical cosmetics, and licensing. It is a company that combines production, distribution, and research in one. The scope of business operation covers Mainland China, Taiwan, Hong Kong, and Southeast Asia.

The Company officially entered the Mainland China market in 1997. It is a medium-to-high-end large beauty franchise business in Mainland China. By the end of December 2018, more than 4,479 franchised beauty salons have been created, including Mainland China, Taiwan, Hong Kong and Southeast Asia. The Company has quality beauty skin care series of products. Besides those to be used at home, we also have professional care packages so that customers of franchised beauty salons have all-around beauty skin care products and professional regimens available for them to choose from. The Company, with its first-rate spontaneous R&D and production capabilities, outstanding product quality, specialized ideas about skin care, has created a quality customer base as well as brand value.

1) Major scope of operation:

- ① R&D, manufacturing, and distribution of beauty products and care packages
- ② Operation and promotion of business of franchised beauty stores
- ③ E-commerce sales platform
- ④ Medical cosmetology business
- ⑤ Business not prohibited or restricted by laws and regulations besides the licensed one

2) Operational weight

Unit: RMB\$1K; NT\$1K

Major products	2017			2018		
	RMB	NT	%	RMB	NT	%
Face care products	657,526	2,963,012	90.04%	910,561	4,149,245	90.63%
Body products	17,001	76,612	2.33%	12,670	57,736	1.26%
Aromatic products	1,380	6,217	0.19%	1,330	6,060	0.13%
Processing income	3,248	14,636	0.44%	808	3,682	0.08%
Others	51,090	230,225	7.00%	79,396	361,790	7.90%
Total	730,245	3,290,702	100.00%	1,004,765	4,578,513	100.00%

Note: Others include income from royalties, income from stakeholders, income from beauty services, and income from food, etc.

3) The Company's current products

Products category	Major products category	Main purpose
Home care	Makeup removing and cleansing	Removes five major types of waste on the surface of the skin, such as built-up obsolete keratin, dust, grease, makeup residue, oxidized fat, and salt from perspiration.
	Hydrating toner	Replenishes skin cells with plenty of water while at the same time inhibiting vaporization.
	Repairing essence	Regulates dermal functions and corrects specifically problematic skin in order to keep the skin healthy.
	Lotion	Exercises optimal skin conditioning effects to prevent against speedy water loss from skin and to protect against dry skin.
	Eye care	Prevents and improves fine lines and brightens the skin ton in the surroundings of the eyes.
	Moisturizing cream	Boosts blood circulation of skin, adequately supplies cells with nutrients and oxygen so that cells can be repaired and regenerated, and keeps the skin smooth and moisturized.
	Facial mask	Intensively repairs the skin, boosts metabolism, and enhances skin oxygen content; the water in the mask penetrates the horny layer on the surface of the skin to make the skin softer and more elastic.
	Sunscreen	Protects against and blocks sunlight to protect the skin.
Foundation makeup	Contains skin care and sunscreen ingredients to enhance the skin tone and covers imperfection; it lays the groundwork for subsequently applied makeup.	
Professional skin care line	Eye care series	Improves puffiness, pigmentation, and fine lines, among other issues with the active ingredients of the peptide compound and silk eye mask. Meanwhile, the specialized package instruments are used to accordingly exercise the effects of preventing against and correcting issues with the eyes, such as dark circles, eye puffiness, and congestion due to fatigue, among others.
	Anti-wrinkle series	Firms and lifts the facial outlook through the active ingredients of resilient peptide and tourmaline. Meanwhile, with the specialized package instruments, facial skinning, firming, lifting, and increased absorption of skin is made possible.
	Whitening series	Inhibits externally the activity of tyrosinase through the active ingredients of morusbombycis root extract and ruby to internally improve the formed pigmentation. Meanwhile, with the specialized package instruments, consistency, brightness and tone, lightening of spots, and increased absorption of skin are made possible.
	Hydrating series	Replenishes water required by skin cells at a depth and firmly locks in the water through the active ingredients of American mandrake and blue sapphire. Meanwhile, with the specialized package instruments, water replenishing at a depth, potent retention of water, and increased absorption of skin are made possible.
	Naturex series	The Naturex series features pure herbal essence from pure botanical extract concentrate. It applies the extraction technique to realize more effective conditioning and improvement and to address different skin issues.
	Professional salon botanical	Designed specifically for problematic skin, the series features optimal improvement and prevention effects whether it is anti-wrinkles, water replenishing, or whitening. They can be used as part of home care or at the salons

	extract series	for induction or water facial mask purpose with the help of instruments.
Aromatherapy	Essential oils, compound essential oils	<ol style="list-style-type: none"> 1. Beautifies and cares for skin to boost skin resistance and delay aging 2. Soothes and eases the mood and energy; it is nerve relaxing. 3. Keeps physical fitness and corrects respiratory infection, compromised immunity, and endocrine disorder, etc.
Body	Essential oils, lotion	<ol style="list-style-type: none"> 1. Clears blood vessels and encourages circulation to boost functionality of organs and intestines. 2. Promotes tissue relaxation at a depth, blood circulation of muscular tissues, relaxes the body and the mind, shoulders and the neck, and relieves back pain and inflammation, among other symptoms.
	Breast enlargement	Turns on the filling mechanism with “ornithine” the patented ingredient in France and with the external layer Ionosome™ enveloping technique(Note), more stably and rapidly delivers the active ingredient to the basal layer of skin so that skin is filled, become firmer, more elastic, smooth, and lifted.

Note: French patent No. FR 2988601-B1, the Ionosome™ enveloping technique is the patented technique to envelope the external layer of the patented ingredient.

4) Research and development of new products

A. Development of anti-aging series products

In line with the market conditions and the Company’s business strategy, pursue products that offer long-lasting benefits of lifting, pore tightening, anti-wrinkles, moisturizing and anti-aging. Development of whitening products

B. Development of whitening products

Develop a range of skin whitening products targeted at helping women with dull-looking, dark-toned skin and/or with pigmentation spots. Includes the whitening home care series and whitening repair product groups.

C. Development of sunscreen series products

Facial sun protection product, sunblock for skin, high UV protection, re-invent and upgrade existing products. All new sun protection products offering a light hydrating sensation on the skin for daily protection from the sun, fights anti-aging by light , protects against blu-ray and prevents dull skin.

D. Plant stem cell technology developed

Cultivate plant stem cell, stem cell extraction technique development.

E. Develop products to be launched on E-commerce platforms only.

Ocean blue gold moisturizing series; Basic care series for men.

2. Industry overview

(1) Industry status and development

According to the research data of Euromonitor (May 2018), the market size for beauty and personal care products in Mainland China reached RMB 361.6 billion in 2016. The mean compound annual growth rate from 2012 to 2017 reached 7.7%. The market size as a whole from 2012 to 2017 increased by 45%. Beauty and personal care product packages, in particular, grew 94.9%. It is one of the fastest growing markets in the world.

Types of beauty and personal care products and sales in 2012-2017

Unit: RMB 10 million

Item \ Year	2012	2013	2014	2015	2016	2017
Baby and child specific products	89	104	121	141	151	171
Bath and shower products	173	185	195	203	211	220
Cosmetic	181	205	226	251	283	344
Deodorant	6	6	6	7	7	7
Depilatory	3	4	4	4	5	5
Fragrances	46	49	53	56	54	62
Hair care products	422	450	465	480	494	511
Men's cosmetic	92	104	112	118	125	133
Oral healthy products	249	271	286	305	328	352
Oral healthy products (excluding power toothbrush)	244	265	280	298	320	342
Skin care products	1,269	1,390	1,507	1,606	1,693	1,867
Sunscreen products	41	43	47	51	55	61
Beauty and personal care products sets	468	519	566	616	676	845
High-end cosmetic	441	490	534	579	635	796
Popular cosmetic	1,758	1,912	2,052	2,169	2,271	2,395
Beauty and personal care products	2,492	2,720	2,923	3,111	3,298	3,616

Source: Euromonitor (May 2018).

Types of beauty and personal care products and sales growth rates in 2012-2017

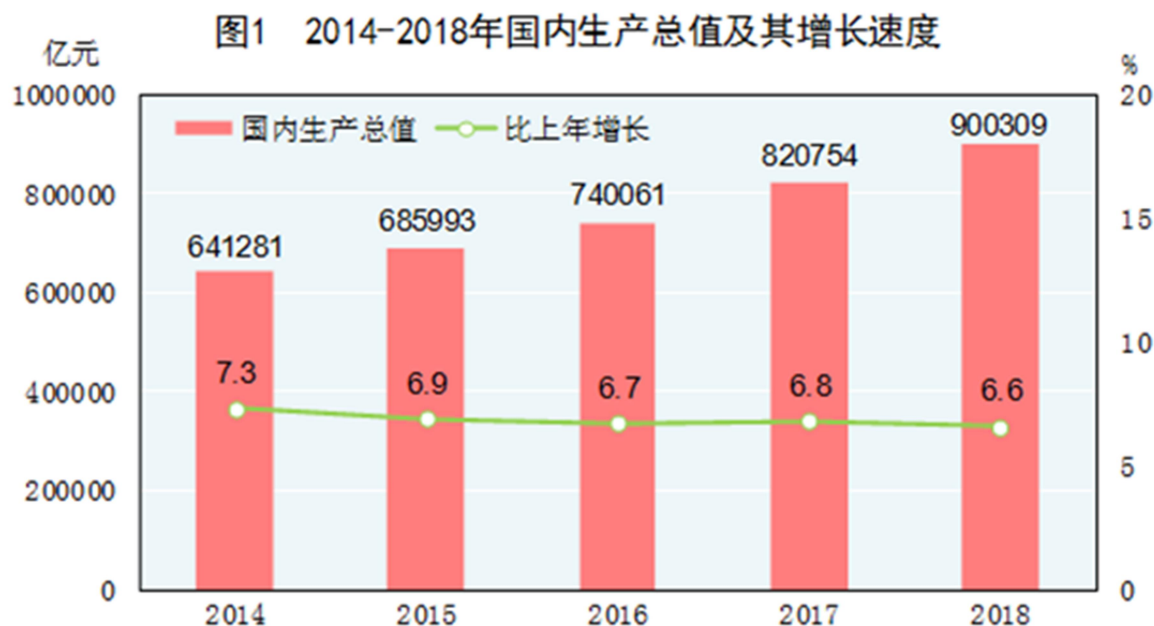
Unit: %

Species	Increase rate	2016-2017 Increase rate	2012-2017 Mean compound annual growth rate	2012-2017 Total increase rate
Baby and child specific products		11.312.9	14.70	98.992.4
Bath and shower products		4.02	5.34.9	29.427.0
Cosmetic		12.421.3	11.2 13.7	70.389.8
Deodorant		4.35.2	5.93	33.229.6
Depilatory		8.30	8.5	50.7
Fragrances		0.414.7	4.96.0	26.733.5
Hair care products		3.04	5.03.9	27.3 21.0
Men's cosmetic		5.46.9	9.97.6	60.144.5
Oral healthy products		7.3	7.62	44.25
Oral healthy products (excluding power toothbrush)		7.20	7.50	43.740.4
Skin care products		5.410.3	8.0	47.1
Sunscreen products		9.25	8.4	49.35
Beauty and personal care products sets		13.725.0	14.312.5	94.980.4
High-end cosmetic		9.725.5	10.112.5	61.780.4
Popular cosmetic		4.75.5	7.16.4	40.836.3
Beauty and personal care products		5.9.6	7.7	45.01

Source: Euromonitor (May 2018).

Mainland China is a focused region of development for the Company and we have cultivated the local market in depth for years. With the local economy continuing to grow, the beauty industry is full of potential with the enormous underlying business opportunities. Major factors that drive the development of the beauty industry in Mainland China includes the growth in its GDP and the increased urbanization rate and per capita disposable income. These factors are closely related to the demand for beauty products and services and hence are the main driving force for the industry to quickly expand and grow flourishingly.

International historical data have shown that when the per-capita GDP breaks the USD 3K threshold, consumption starts to enter the rapid growth channel and so is beauty-related consumption. When the per-capita GDP exceeds USD 20K threshold, however, the acceleration rate will significantly drop and consumption enters a stable period. According to the statistics of the National Bureau of Statistics of China, the gross domestic product in 2018 was RMB 90,030.9 billion in Mainland China, a growth of 6.6% from 2017.

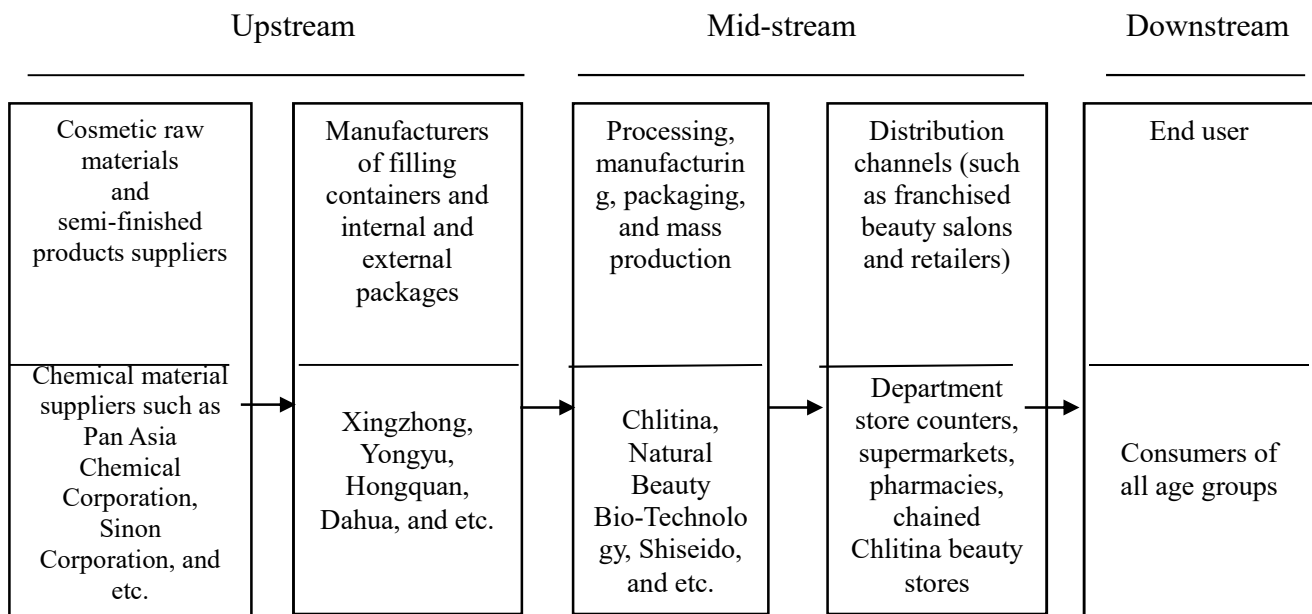


Source: National Bureau of Statistics of China (2/28/2019)

As industrial sectors gradually expand toward second-line and third-line cities over the past few years to quickly increase the urban population, the per-capita disposable income of urban residents is gradually improved, too. According to the statistics of the National Bureau of Statistics of China, the per-capita disposable income in 2018 was RMB 39,251 in Mainland China, a growth of 7.8% from the preceding year. The improved purchasing power of urban residents adds to the demand for beauty products and accordingly expedites the development of the beauty industry.

(2) Correlation among the Upstream, Mid-stream, and Downstream of the Industry

At present, the Company mainly deals with the distribution of ageless, anti-aging professional products, professional skin care products, home care products, among other beauty products. Cosmetics manufacturers and branders belong to the mid-stream of the industry. The upstream of the industry consists of mainly suppliers for cosmetic raw materials, manufacturers of semi-finished products, manufacturers of filling containers and packaging products; the mid-stream include processing, manufacturing, packaging, and mass production and marketing channels such as dealers, distributors, and franchised stores; and the downstream are consumers of all age groups. The correlation among the upstream, mid-stream, and downstream is shown as follows:



(3) Various Development Trends of Products

A. Products future development

Since the Chlitina Group first entered Mainland China in 1997, it has been devoted to researching and developing skin care products that are the most suitable for Chinese and Asian people. Given the vast territory of China, in particular, the policy adopted by first-rate manufacturers in Europe and America towards introducing single products is never sufficient to address the needs for care and conditioning of make-overs in various areas throughout China taking into consideration the significantly different climates between the north and the south.

The Company believes in applying medical concepts in beauty products and services while trying its best to provide women bothered by all kinds of skin issues with professional personalized skin care solutions. The Company introduces technologies that are unprecedented in the industry and continues to introduce new products to further expand its product lines that target consumers through different distribution channels.

With its R&D belief, products of the Chlitina Group may be divided into the following major aspects:

(A) “Ageless and Anti-aging” as the Mainstream

“Agelessness and reversing aging” has been dream of humankind since its very beginning. It was so in the past and will remain so in the future. The dream has never changed. How to research and develop a series of complete skin care products suitable for the skin of Asian people, and the Chinese people in particular, in order to satisfy the needs of Chinese women in remaining ageless and to fight the aging process has therefore become the highest guiding principle for the Chlitina Group in product research and development.

Based on this belief, in terms of product research and development, the Chlitina Group has come up with a series of products to take care of the three major steps “skin purification ⇒ repair ⇒ regeneration”.

(B) Reinforced “Professional and Precise Skin Care” for Regimens

In light of the fact that Chlitina is a well-known professional beauty franchise group for medium-to-high-end customers in China, in order to further differentiate between and emphasize the efficacy of professional and precise skin care, besides researching and developing home care products, a series of combinations of professional beauty salon care packages are developed to go with induction professional instruments, such as Hydraskin, Rejuvenating, and Extreme Clear White. With assistance of professional instruments, optimal results of skin care for customers in a

non-invasive way are made possible in order to fulfill the purpose “let time stay at the most beautiful moment”.

(C) All-around and full-time-efficiency products are provided to create differences in services and products.

The differences in products and services bring about the maximum benefits in skin care. The Products of the Chlitina Group include:

(a) Home care products

The emphasis is placed on the basic skin care while at home so that the skin gets the needed care and time to repair around the clock. Home care is known for its benefits such as convenience and autonomy. It is tailored according to advice given by professional beauty consultants, home care combinations take care of personal skin issues and ensure non-stop care around the clock in order to strengthen extended results of professional beauty care regimens and to yield twice the results with half the effort. The products focus on “moisturizing, repairing, and conditioning”. In terms of moisturizing, facial solutions that provide benefits from brightening skin tones to exercise outstanding moisturizing effects are the primary products, including the exquisite classic EPO series, which helps with normal metabolization of keratin and keeps the horny layer of the skin intact and hydrated to effectively correct aging and dry skin, to moisturize and lock in water, and to repair cracks because of dryness. The premium royal Fantasia series that reaches deep inside the skin to ensure deep miniaturization and repairs aging skin or to realize deep whitening, among other skin care benefits, reflective of different skin attributes, replenishing the vigor most needed in skin. The chliwhite series that breaks down pigmentation that compromises the purity of skin layer by layer to create 4C-grade diamond-kind shiny and tony beautiful skin; and the Primrose facial cleansing series that applies the patented technology to extract essence of the whole primrose plant. The resultant Primrose Vital-Active Complex activates overwhelming defensive protection. The unique water-oil mixture mechanism multiplies the repair effects as it better penetrates into the basal layer of skin to strengthen the safeguard barrier, to inspire synthesis of collagen, to reduce the formation of free radicals, and to activate the defensive protection at a depth. The skin will appear to be shiny and moisturized from the inside out.

(b) Beauty Salon Professional Conditioning Regimen

The focus is combinations of products that require the use of professional instruments. Specialized beauty consultants examine the skin through the professional instruments and find out the cause of problematic skin in order to design and tailor care regimens. The products are introduced into the skin with high-tech instruments that are known for being safe, comfortable, highly-efficient, and non-invasive. Used together with professionally trained techniques, they ensure significant beauty skin care effects bring about “ageless and anti-aging” benefits. The products feature mainly “moisturizing, activating, wrinkle-smoothing, and skin-lifting”. Products in this series include the Hydraskin Intensive Expert Package and the Extreme Clear White Expert Package.

(c) Physical Meridian Care

With systemic skin care and physical health as the appeal, the products emphasize traditional Chinese ideas that are familiar to Asian people and combine them with the quantum-based medical technology from Europe to exercise thorough effects. By utilizing the innovative idea of combining the East and West, as well as the skilled technique applied to smoothen circulation throughout the body and the highly bioavailable fine and pure compound essence oil, promotes relaxation of tissues at a depth and blood circulation in muscular tissues, soothes the body and the mind, shoulders and the neck, and relieves symptoms such as back pain and inflammation, among others. The raw materials are quality natural plants from Europe and North America.

(d) Non-sensitizing and Repairing Skin Care Products

To address issues such as sensitization, redness, edema, peeling, and difficulty for make-up to stay on at the turn of the season, the Company places particular emphasis on enhancing the

defensive protection of skin. Ordinary skincare products vary in quality and tend to give rise to irritation and pain, and may even trigger more serious skin disorders. In light of sensitive skin caused by improper care habits and skin care products, the Company places particular emphasis on normalizing the dermatological structure. Enhanced skin protection and strengthened skin metabolism are its primary the focus. We have protein cream and EG cream, among other star products. Each of them has withstood the time, challenges from the market, and hence is absolutely representative.

The combined use and packages available for products, precise seamless skin care around the clock is made possible. Skin receives alternating deep and light flexible care. Not only product effects are exercised in a balanced way around the clock, the skin can also take appropriate rest and recover. The products fully demonstrate the characteristics of the Chlitina Group in product development, that is, “professionalism, personalization, comprehensive, and complete time-efficiency” and facilitates the skin to go through the spontaneous physiological cycles of “purification, repair, and regeneration” and to accordingly fulfill the ultimate goal of being “ageless and anti-aging”.

B. Future Trends on Beauty Market

The Mainland China market is the main growth market for the Chlitina Group at the moment. A market survey report has shown that:

The “beauty economy” is full of growth potential and remains the fastest growing sector in the coming 5 to 10 years in China. Research data of Euromonitor (May 2018) also shows that the overall market size of beauty and personal care products is estimated to be worth RMB 475.6 million by 2021.

Due to the significantly improved GDP in Mainland China over the past 10 years, local consumers’ demand for quality services has increased significantly as well. This drives professional beauty salons to be focused on their professional service level in order to be recognized by medium-to-high-end consumers on the market. As a result, professionalism and focused specialties will become a more obvious trend among beauty and care institutes.

With beauty service regulations established by the government, requirements for the quality of services provided by beauty salons have been relatively increased. This further enhances the entry criteria for beauty salons and it helps with the development of large professional beauty franchises such as “Chlitina”.

C. Changes to Company Operation in the Future

To address the rapidly increasing demand on the Mainland China market and from local consumers for care products and services, the Company is engaged in the following changes regarding its operation in order to increase its competitive advantages:

(A) Reinforce “market-end training” ability

In light of the large size of the Mainland China market and the difference in culture, customs, and skin conditions, as the number of franchised stores keeps increasing throughout the nation, the management of the franchise brand also needs to be localized in terms of the train of thought and the service model. The Company adopts the hierarchical model that consists of advanced training at the main office and the educational guidance in different areas. The main office is to arrange senior lecturers as planned who would attend diversified courses on topics such as “corporate culture”, “brand image”, “product reinforcement”, “store affairs management”, “distribution skills,” and “career planning” that are important forms of education in terms of knowledge of new products and assistance in opening a new store according to the company’s market operation policy. Having been evaluated by the main office, the approved lecturers from respective areas are to reproduce the course contents reflective of conditions of stores in their area (such as climate, environment, and customs) to fulfill dual purposes of being “professional and united” and “providing area-based educational guidance”. The hierarchical model that consists of advanced training at the main office and the educational guidance in different areas effective reduces the cost of transportation incurred

for and time spent by the trainees and significantly cuts down the corporate operational expenses as well. Meanwhile, it helps enhance the proactive learning attitude of the staff, apply what is learned quickly to store operations, and accordingly consolidate the marketing strategy.

(B) Deepen beauty franchise channels

The Mainland China market is divided into advanced, well-off, and developing areas. In the future, Chlitina will make the best of its powerful brand awareness and flexible distribution strategies to further increase its market share in well-off areas and developing ones.

For Taiwan and the Southeast Asia markets, store expansion will be expedited and product structure will be optimized. Franchise management strategies will be improved and adapted to local developments so that brand awareness may be deepened.

(C) Improve products R&D capabilities

Quality products best guarantees winning out on the market. Therefore, we will strengthen the autonomous R&S capabilities and speed and will attract various talent within the industry.

(D) Diversified management

With the development of e-commerce/IOT/cosmetic medicine/regenerative medicine in China, consumers are changing their spending habits without them knowing. In such an environment, Chlitina has been finding its own distribution model and managed to realize diversified management through IOT as well as improve the profitability of franchisees. The anti-aging effects of regenerative medicine are used to further improve the technological essence of existing products and existing beauty salon regimens and to accordingly enhance consumer satisfaction. We set our foot into the cosmetic medicine industry through existing customer resources to accordingly bring about new momentum to the Company's revenue.

(4) Competition

A. Differentiation in market size

The increased purchasing power and inflation in China have resulted in surging prices of commercial land and also the sudden hike in the cost of opening a store, which puts a barrier to quick expansion of stores. This is also why with the current market size and annual growth rate, among other competitive advantages, it is uneasy for competitors to exceed the Company.

B. Autonomous product R&D capabilities

Back in 1989, when the Company was first established, it was already the first to introduce the idea of researching and developing "PH 5.5" skin care products. After 2000, this idea has gradually been adopted by international first-line heavyweight manufacturers in terms of product development. This is sufficient proof of the Company's R&D capabilities. Compared to the various competitive brands in China, most of which continue to operate relying mainly on purchased products. On the other hand, the Company's autonomous R&D capabilities can not only better address customers' needs but are more advantageous over competitors.

C. Brand advantage

In November 2011, the Company's brand, CHLITINA and its Chinese name were both given the "China Well-Known Trademark" by the State Administration for Industry and Commerce of the People's Republic of China, making it the one and only company among beauty franchises. Meanwhile, the Company won the "Top 20 Best Taiwan Global Brands" Award three years in a row in 2015 through 2017. CHLITINA was awarded the "Top 100 Chain-Style Business of China in 2017" and the "China Outstanding Franchisor 2018" by the China Chain Store Association in 2018.

3. Overview of Technology and R&D

(1) Technical Level and Research and Development in the Scope of Business Operation

The products of the Company, with its own formula design and development of the manufacturing technique to differentiate itself on the market, and that cannot be reproduced in either quality or efficacy. Most cosmetics companies on the market have an R&D department that

relies on suppliers to provide the formula and have raw materials coming from specific manufacturers; as a result, they cannot change the formula or raw materials on their own and have no control over the cost. The enriched formula development experience enables the design of products with the best CP ratio according to the market price. The manufacturing technique ensures smooth production, stable quality, and improved production efficiency.

Primary products of the Company, including professional skin care and home care supplies, are all researched and developed by the company itself. Professional beauty products, personal skin care supplies, aromatherapies, and SPA products are the mainstream in development.

(2) R&D Personnel and Their Education/Experience

As of the end of March 2019, the Company has a total of 9 R&D people. All of them own college or higher-level diplomas. The number of employees and their educational distribution are shown below:

Item	End-of-term number of people	Distribution of education		Years in service on average
		University/college	Master degree	
2017	9	4	5	9.07
2018	8	3	5	9.88
March 31, 2019	9	3	6	9.02

(3) Annual R&D cost spent over the past 5 years

Unit: NT\$1,000; %

Item	Year	2014	2015	2016	2017	2018
R&D fee		14,967	17,729	9,379	10,203	21,936
Net Sales		3,071,369	4,394,264	3,360,584	3,290,702	4,578,513
R&D cost to net revenue ratio (%)		0.49	0.40	0.28	0.31	0.48

(4) Technologies or products successfully developed over the past 5 years

Year	Item/product name
2014	Deluxe Renew Firming Cream, products supplied exclusively to direct-selling stores in Taiwan (Hydra Cleansing Fluid, Shea Butter Facial Massage Cream, Gentle Makeup Remover, Chamomile Body Scrub, Seaweed Skin Softening Powder, Extreme Soothing Body Mask, HA Intensive Boosting Serum, NMF Intensive Boosting Serum, 9 Peptides Intensive Boosting Serum, Marigolds Intensive Boosting Serum, Anti-wrinkle Peptide Intensive Boosting Serum, Madelic Intensive Boosting Serum, Marigolds Herbal Mud-Mask Repair, Witch Hazel Herbal Mud-Mask Repair, Silky Body Lotion, Magic Body Slimming)
2015	Deluxe Renew Firming Cream (China) VFace Series (Lifting Milky Lotion, Lifting and Intensive Serum, Lifting Serum Concentrate, Lifting and Repairing Mask) Fair-priced moisturizing masks (CHLITINA Lupine Moisturizing Mask, CHLITINA Nasturtium Brightening Mask, CHLITINA Blue Lotus Refreshing Mask, CHLITINA Beltia Anti-Aging Mask, CHLITINA Purple Ginseng Anti-Blemishing Mask) CHLITINA Pureskin Series (Aqua Toner, Moisturizing Emulsion Lotion, Moisturizing and Repairing Eye Cream, Aqua Nourishing Essential Cream) Sun Passport Sunscreen SPF50+ PA++++ (Made in Taiwan) Salon Series (CHLITINA HA Moisturizing Serum, Witch Hazel Herbal Mud-Mask Repair, CHLITINA Hydra Cleansing Fluid, CHLITINA Marigolds Herbal Mud-Mask Repair, Seaweed Skin Softening Powder, Chlitora Regenerating Intensive Boosting Treatment, Chlitora Moisturizing Intensive Boosting Treatment, Chlitora Sebum Control Intensive Boosting Treatment, Chlitora Soothing Intensive Boosting Treatment, Chlitora Whitening Intensive Boosting Treatment, Chlitora Silky Body Lotion, Chlitora Shea Butter Facial Massage Cream, Chlitora Gentle Makeup Remover, Chlitora Extreme Soothing Body Mask, Chlitora Chamomile Body Scrub, Chlitora Magic Body Slimming Gel)
2016	ChliWhite series (cleanser, introductory gel, essence concentrate, essence emulsion, hydrating cream, primer) Tourmaline Series (essence emulsion, eye cream, essence cream, moisturizing mask) Professional Beauty Salon Series (CEDAR Balancing Shampoo, Citrus Relaxing Body Wash, Ylang-Ylang Essential Oil) Soothing and Moisturizing Cleansers Cleanser and Makeup Remover Floral Water Series (Peppermint Floral Water, Lavender Floral Water, Rose Floral Water, Tea Tree Floral Water, Majorana Floral Water, Chamomile Floral Water)
2017	Honnock Acne Treatment and Repair Series (facial cleansing foam, conditioning water, essence gel, essence cream) ChliWhite Series (essence gel, essence emulsion, cream, moisturizing mask) Purifying Citrus Floral Water Algae Extract Organic Water
2018	Primrose facial cleansing series Skinicer Repair Lotion for Problem Skin ChliWhite Advanced Lightening Eyes Serum Ubebe Hair & Body Cleansing Mousse, Ubebe Pure Soothing Barrier Cream Breast Beautifying series ~ Lacy Secrets (massage oil for breasts; breast cream) MISS YOU LUMINANCE sleeping mask, Advanced MISS YOU mask series

	<p>Vital care series (Vital Conditioner, Vital Purifying Shampoo, Vital Moisturizing Shampoo)</p> <p>Bilefei cleansing series (cleansing care laundry detergent; multi-effect dishwashing essence; intimate wear detergent)</p> <p>Missing You naked CC Cream</p> <p>RnD Hands & Feet Repair & Care series (RnD Calendula Light, Moisturizing Fragrant Hand Cream; RnD Avocado Moisturizing Fragrance Hand Cream; RnD Milky Repair Essence for Hand & Foot)</p> <p>City Protection Gel</p> <p>Body Firming Essence</p>
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4. Long and short-term business development plans

(1) Short-term plans

- A. Continue to deepen the brand spirit, “Women, Love Bravely”. Tailored precise skin care solutions are provided adhering to the principle of “appropriate timing, suitability for skin, and adequate amount”. Consolidate the quality high-end brand image by promoting the brand by varied means such as traditional media and new media, sponsoring high-end international events, organizing large brand events, and advertising through various types of media, for example to increase brand identity among consumers and to attract high-end consumers. Organize online and offline marketing events to strengthen consumer adhesion to franchise stores and various channels.
- B. Adequately introduce new products to the market to address the needs of different consumer populations for products and to answer to the advancement in technology and proactively make the best of advantages that products in professional lines are entitled to, from facial care products and conditioning regimens to physical care and health-oriented products and regimens. Research and develop professional products for more consumer populations in order to build product beliefs such as “beauty ad health” “from the inside out”.
- C. Further strengthen the training mechanism to enhance the skills of cosmetologists and profitability of franchise stores and make the best of high-end products available at franchise stores along with their strength in providing specialized service to boost the attractiveness of franchise stores to consumers.
- D. Deepen the management of existing franchise stores based on the marketing belief “being exquisite, being subtle” to optimize profitability of franchise stores and to improve the overall franchise quality.

In response to the deepening of the urbanization process in China, the continues in China to tap the market potential and further target the market share in the well-off areas and developing regions.

Step up the pace of expansion and enhancing brand recognition in Taiwan and South-east Asia. Deepen our understanding of the local beauty market, develop and implement improvements to the franchise strategy and management process.
- E. Actively drive e-commerce channel development. Continue to focus on driving the steady growth of members and order volume. Extend the breadth and depth of products with high-end quality products and leverage diverse online sales channels for a comprehensive distribution network and product coverage.
- F. Leverage the opportunities provided by the rapid expansion of aesthetic medicine in China and actively establish our own brand of products and related clinical services. Effectively integrate aesthetic medicine and regenerative medicine to launch a comprehensive suite of aesthetic medical services.

(2) Long-term plans

- A. Enhance R&D ability and continue to develop professional, high-end and supreme products based on different customer groups of specific channels.
- B. Continue to deepen the content of the brand, maximize brand influence, reinforce consumer loyalty and franchise store adhesion.
- C. Keep up with the pace of urbanization in mainland China and continue to develop markets and potential markets in the Tier 3, 4 and 5 cities, implementing operating and sales strategies according to local conditions and needs.
- D. Continue to expand and extend business scope by accelerating the expansion of ecommerce channels and implement 24x7x365 marketing to meet the habits and needs of the consumer.
- E. Use Southeast Asia as the entry point to push for the overseas expansion for widening the group's operation territory and upgrading our brand image to an international level.
- F. Leverage innovative AI technology and regenerative medicine to extend our reach into high-end aesthetic beauty products and enable new revenue channels for the Company.

III. Market and Production/Distribution Overview

1. Market analysis

1) Revenue by the region

Unit: RMB\$1,000; NT\$1,000

Item	2017			2018		
	RMB	NT	%	RMB	NT	%
Mainland China	693,436	3,124,832	94.96%	970,505	4,422,397	96.59%
Others (Note)	36,809	165,870	5.04%	34,260	156,116	3.41%
Total	730,245	3,290,702	100%	1,004,765	4,578,513	100%

Note: Others include Taiwan and Hong Kong

2) Market Share

The research data of Euromonitor (May 2018) shows that the market size for beauty and personal care products in Mainland China reached RMB 361.566 billion in 2017. When calculated with the revenue of RMB 1.05 billion of the Company in 2018, the market share is about 0.3%. As far as skin care supplies (including physical care, facial care, and hand care) in 2017 are concerned, the sales reached RMB 186.655 billion. When calculated with the revenue of RMB 1.05 billion of the Company in 2018, the market share is about 0.5%.

In addition, according to Euromonitor, the industrial research institute, the sales were calculated with the final retail price of the products. The revenue of the Company provided above, however, does not include the income from services provided to consumers at franchise stores and was not calculated with the final retail price of the products. If the final retail price on the market is used to calculate the Company's sales and the income from services provided to consumers at franchise stores is not included, the internal statistics of the Company show that the sales in 2018 were around RMB 3.2 billion, accounting for around 0.9% on the market for beauty and personal care supplies in Mainland China, an increase of 0.2% from 2017 and around 1.7% on the market for skin care supplies in Mainland China, an increase of 0.3% from 2017.

The beauty brand "Chlitina" of the Company features specialized beauty services provided through its franchise system and has quickly expanded on the market. At present, it is already one of the largest beauty franchises in Mainland China and secures a place on the

market for beauty and skin care in Mainland China. In light of the gigantic development potential of the beauty sector on the market in China, the fact that consumers are paying increased attention to brand image, product quality, and efficacy driven by economic development and the increase in income, the Company has complete control of its beauty and skin care products, from the upstream research and development to production and packaging and then the downstream distribution. In other words, the Company keeps sufficient track of the operational values from research and development, production, distribution, brand, and distribution channels and owns a complete industrial chain as well as the advantage of vertical integration.

The Company has control over its brand advantages, owns extensive and comprehensive distribution channels and powerful product development capabilities. The competitive barrier and strength are gradually taking shape on the fiercely competitive market for beauty and personal care supplies in China. The market share will hopefully grow on a yearly basis in the future. The market share remains mostly occupied by international brands as far as beauty and personal care supplies are concerned in China; P&G and L'Oreal, in particular. For skin care supplies, by the same token, the market in China is also mainly led by well-known international brands. The Top 3, namely P&G, L'Oreal, and Shiseido together account for nearly 30% of the market share.

3) Future supply & demand and growth in the market

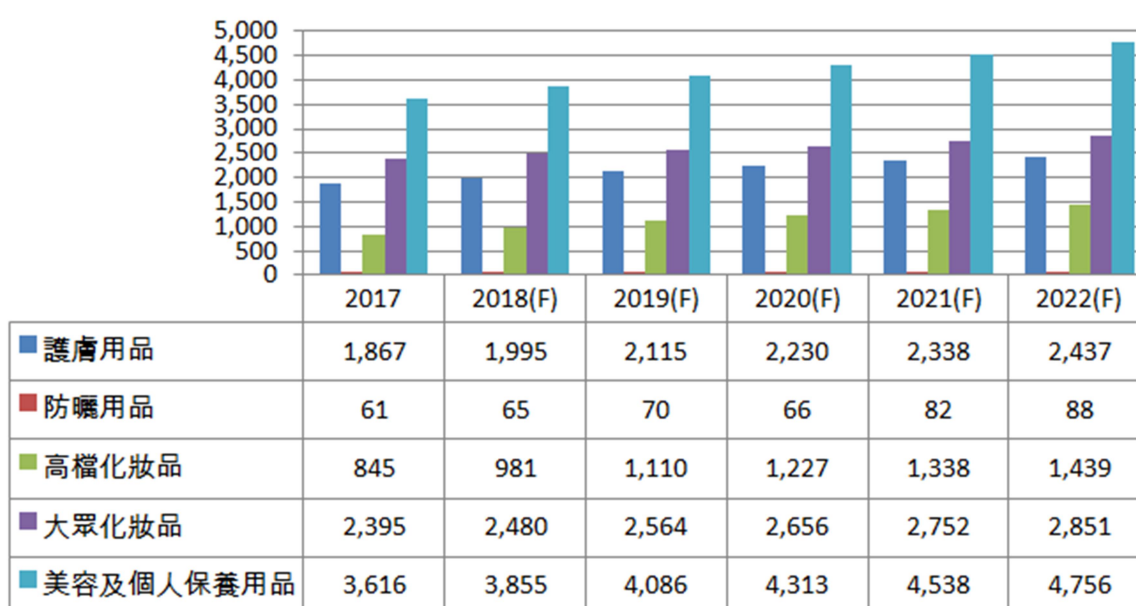
A. Beauty and personal care products market

The beauty and personal care supplies sector in China has been in place for more than 30 years. The study report of Euromonitor (May 2018) shows that the mean compound annual growth rate in 2012 to 2017 was 7.7% and it is estimated that the overall market size by 2022 will reach RMB 475.6 billion. The growth rates are climbing. The development potential and room for further expansion remain promising on the market for beauty and personal care supplies in Mainland China. Along with economic growth and increased income level and spending awareness of consumers are the rapidly expanding size of the market for beauty and personal care supplies in Mainland China; it is now one of the fastest growing markets globally.

Types of beauty and personal care products and sales forecasts in 2017-2022

Sales: RMB 100 million

Source: Euromonitor (May 2018).



Rather fierce competition remains in the market for cosmetics in Mainland China. Generally, when divided by the price range, there are high-end cosmetics (with a selling price of RMB 200 and higher), medium-end cosmetics (with a selling price between RMB 100 and 200), and common cosmetics (with a selling price of RMB 100 or lower).

The high-end cosmetics market consists mainly of international brands such as Lancome, Estee Lauder, Guerlain, and Chanel and the consumers are mainly those from the top of the pyramid. On the medium-end cosmetics market, foreign brands remain relatively competitive, with brands mainly including Olay, L'OREAL PARIS, and SHISEIDO. The common cosmetics market, on the other hand, is divided by certain foreign brands and local brands. They target mainly medium-to-low-income consumers and are sold mainly through grocery stores, supermarkets, and direct selling stores. Such foreign brands mainly include NIVEA and POND'S and local brands include Chando and Decarie.

In addition, according to the research data of Euromonitor (May 2018), the mean compound annual growth rates and the gross growth rates of high-end skin care products and high-end cosmetics in 2017 through 2022 will be superior to those of common cosmetics. The unit price of the Company's products is within the price range for high-end cosmetics. Over the years, the Company has been operating on the beauty franchise market at a depth and our products and services are well-recognized by consumers. As the sales growth rates of high-end cosmetic products keep climbing in the future, it will be conducive to the sales of the Company's products and the expansion of the overall operational scale.

Comparison of growth rates of high-end cosmetic products and all cosmetic products as a whole in 2017-2022

Product items	Increase rate (%)	2017-2022 Mean compound annual growth rate	2017-2022 Total increase rate
High-end skin care products		9.4	56.7
Popular skin care products		3.5	18.8
High-end cosmetic		17.9	127.7
Popular cosmetic		5.8	32.4

Source: Euromonitor (May 2018).

B. Development of the Sub-sector of Skin Care Supplies

Research data of Euromonitor (May 2018) show that skin care supplies are the biggest sub-sector on the market for beauty and personal care supplies in Mainland China and it is estimated that the mean compound annual growth rate of facial care supplies will reach 5.0% in 2017 through 2022.

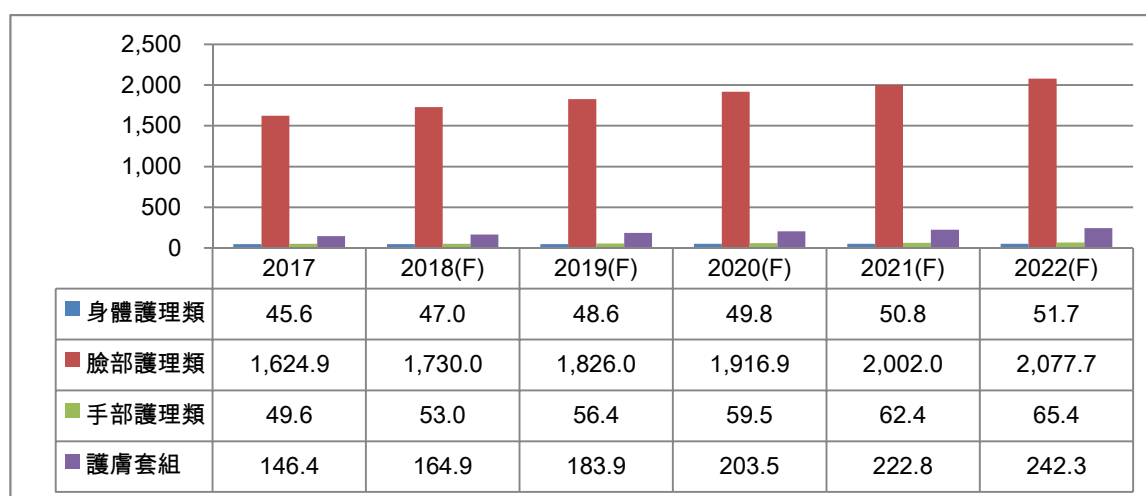
Types of skin care supplies and the growth rate forecast in 2017-2022

Product items	Increase rate (%)	2017-2022 Mean compound annual growth rate	2017-2022 Total increase rate
Body care		2.5	13.3
Face care		5.0	27.9
Hand care		5.7	31.8
Skin care sets		10.6	65.5
Skin care products		5.5	30.6

Source: Euromonitor (May 2018).

Research data of Euromonitor (May 2018) show that the size of the market for skin care supplies in Mainland China will reach RMB 243.71 billion by 2022 and the compound annual growth rate will reach 5.5% and RMB 207.77, accounting for about 85.3% on the overall market for skin care supplies.

Sales: RMB 100 million



Source: Euromonitor (May 2018).

C. Development of the Beauty Franchise Sector in China

The beauty market in Mainland China at the moment remains unregulated and immature. The sector lacks management strength; competition on the market is disorderly; operation of beauty salons is yet to be of scale; practitioners have varied quality. Many factors have resulted the difficulty for the overall good will to reach a certain level. This is why beauty franchise brands that enforce franchise management beliefs, provide quality products and services, and have a sound and optimal operative system start to gradually take lead in the developments on the beauty market.

Franchises with a professional management team, a sound franchised store management and training system, a sound operation and management model, and complete combinations of beauty and cosmetic products, and quality corporate images as well as relatively high brand awareness that will be capable of leading developments on the market and will be more likely to stand out on the market among fierce competition.

The Company is a professional beauty and skin care franchise brand that operates and distributes through skin care beauty centers. Professional services provided at beauty centers help enhance product value and creditability. Comprehensive skin care and conditioning consultations create professional images in the hearts of consumers. The operational mode differs significantly from that for ordinary consumer cosmetics. The overall beauty market in Mainland China is quickly growing. In addition, the avoidance through the Company's operational model in confronting large foreign brands will be conducive to the expansion in the Company's operational scale.

4) Competitive Niche

A. Differentiation in market size

The increased purchasing power and inflation in China have resulted in surging prices of commercial land and also the sudden hike in the cost of opening a store, which puts a barrier to quick expansion of stores. The Company, however, owns a market size consisting of 4,268 stores in Mainland China as of the end of March 2019 to serve densely populated cities along the southeast coast up to the northwest areas. People in these areas are entitled to consistent quality services provided by Chlitina. We are now a benchmark brand and corporation of scale on the beauty market in Mainland China. Systematic regional management has helped effectively reduced relative store opening cost and makes immediate devotion to market operation possible to create "the great will get greater" magnetic effect and to expedite expansion of operational sites and sufficiently ensure the leading position in terms of the market size that is uneasy to be exceeded by competition.

With the overall deployment and operation in Mainland China and combining the brand awareness and influence in first-line cities at the moment, we are sufficiently powerful to develop into second-line and third-line cities in the future, including Suzhou, Wuxi, Qingdao, Ningbo, Foshan, Wuhan, Dongguan, Dalian, Nantong, and Changzhou, which are developing relatively quickly in terms of economy. Entering these markets will also precisely penetrate the daily life circle with consistent service specifications and quality. For different areas, we continue to reinforce classified management, to enhance the store expansion speed, and also to take care of the store expansion quality at the same time.

In addition, as of the end of March 2019, the Company owns a market size consisting of 321 and 31 franchised stores in Taiwan and in Southeast Asia, respectively, and the development is at the ultra-high speed stage. The Company intends to copy the successful experience in Mainland China and modify it in order to apply it to other markets around the world to realize quick scale-up expansions.

B. Autonomous product R&D capabilities

The Company has enriched formula development experiences and is capable of designing products with the best CP ratio according to price positioning on the market. Our outstanding

product lines include home supplies and professional care packages to support professional skin care regimens.

The Company is capable of autonomous research and development and owns a complete product line. It can develop various kinds of tailored quality products reflective of the different climate zones and personal skin conditions to address the needs of Asian skin and to meet the needs of the market in Mainland China known for its large territory and stiff competition

The products of the Company, with its own formula design and development of the manufacturing technique to differentiate itself on the market, cannot be reproduced in either quality or efficacy. Most cosmetics companies on the market have an R&D department that relies on suppliers to provide the formula and have raw materials coming from specific manufacturers. As a result, they cannot change the formula or raw materials on their own and have no control over the cost. Meanwhile, our production facilities are certified by both the UK Intertek GMP and ISO 9001; the quality is highly recognized. The advanced vacuum emulsifying and mixing process and continuous cooling system, the high-speed cutting and mixing process, and the micro-flow collision high-pressure homogenizing process, among other protection technologies are combined to ensure outstanding quality.

In 2019, the Company will further invest in the research and development in regenerative medicine. The hope is to improve the competitive advantages of existing products, existing channels, and cosmetic medicine channels applying the technology and medical efficacy.

C. Advantages of Self-Brands

Brands reflect products or corporate core values. Chlitina, with many years of history on the consumer market in Mainland China, has become a well-known brand and also a high-end and highly well-reputed one. Its consumers are perceived as people with a personal taste and social status. Therefore, it is a successful example that counterparts look up to. The Company also has pleasant partnerships with all parties concerned, making it a role model in terms of sound and steady operations.

D. Outstanding Training Capabilities

Training is key to maintaining service quality and winning recognition among consumers. As one of the most capable quality beauty franchises in Mainland China in terms of training, the Company owns a training academy that can accommodate more than 2K people at the same time. Since 1997, it has been meant to provide training to quality beauty professionals and talent. Focusing on developing a continuous career path, the training consists of three stages for beauty elites; they are Basic Training, Beauty Ambassador, and Advanced Adviser. The classes cover different topics, including corporate culture, beauty regimen planning, personal professional image shaping, lecturer education, customer mindset and talking points, store management practice, basic/high-end products and general skin care skills, advanced warehouse management and market exploration ability, business development advanced seminars, as well as new products and skin care knowledge, among others.

For managers wishing to join the franchise, systematic training that is suitable for new and existing store managers is provided and relatively mature franchisees on the market are encouraged to share their successful stories so that new franchisees can get on the right track as soon as possible and devote themselves to operations on the market and operational risk may be reduced and management may be effectively united.

E. Vertical Integration of Industrial Chain

The Company has the development and production of the formulas for skin care products in the upstream and the production and packaging of skin care products and also the distribution of skin care products in the downstream within its own control. The operational values of the Company include R&D, production, distribution, brand, and channels. The integrative advantages in the industry are complete.

5) Advantageous and Disadvantageous Factors and Countermeasures for the Development Vision

A. Advantageous Factors

(A) Cluster Effect of Well-Known Brand Franchises

The competition among brands on the beauty market in Mainland China is fierce, with varying qualities. Chlitina owns more than 3000 physical operation sites on the Mainland China market at the moment, thanks to its many years of devotion to the local market and the consolidated brand loyalty established as such, which effectively reinforces the approval and preference among the general public. Meanwhile, the cluster effect contributes to “the great will get greater” magnetic effect so that the corporate territory can be steadily expanded.

(B) Rooted Corporate Image

Chlitina was honored by the “China Well-Known Trademark” in 2011; it is the highest corporate trademark approved by the State Administration for Industry and Commerce of the People’s Republic of China. Other well-known corporate brands that have also been honored by such trademark include Acer, BenQ, Uni-president, Giant, among others. The trademark means that the brand awareness, good will, and customer service are well recognized by both the government and consumers.

Meanwhile, Chlitina saves no effort in its corporate social responsibilities (CSRs) by proactively taking part in and organizing social care events and sponsoring cultural and artistic events. Taking advantage of its own resources, the Company is making the best of the selfless “loving and sharing” spirit so that those in need can feel the warmth from society. The physical devotion to charities is well received as it means that the corporate brand is highly approved by the general public and by the government. This services as the absolute market niche.

(C) Mainland China's Strategy to Increase Domestic Demand to Drive the Economy and New Urbanization

According to the Statistical Communique of the People's Republic of China on the 2018 National Economic and Social Development released by the National Bureau of Statistics of China, the GDP growth rate in Mainland China was 6.6% and the value added by the third industry accounted for 52.2% of the gross domestic product. Driven by multiple factors, such as industrialization, informationization, and consumption upgrade, the service sector is powerfully growing. Year-on-Year Growth of 7.6% in Value Added by the Third Industry Urbanization remained as the national developmental strategy. Permanent population in urban areas accounted for 59.58% of the overall population and the per-capita disposable income of urban residents increased by 7.8% from the preceding year. The report issued by Euromonitor on related sectors, on the other hand, shows that the mean compound annual growth rate of the market size for cosmetics in China between 2017 and 2022 will reach 10.6%. Increased urbanization progress and per-capita disposable income of urban residents show that the consumer product market in China, particularly that for the cosmetic sector and the service sector, has enormous potential. The GDP is expected to keep growing steadily and the macroenvironment remains promising. Both provide robust development momentum and expansion opportunities for the Company to scale up its business operation scale.

(D) Professional Talent Education

Chlitina owns an educational training center that is about 6Ksquare meters in area in Songjiang, Shanghai. The European-style elegant building and modern hardware space houses various specialized classrooms and dormitories for centralized management. The most professional and advanced service skills and knowledge training is provided. New students have correct concepts created and build brand awareness as soon as they begin training. Focused on continuous career development, the beauty elite training consists of three stages, namely Basic Training, Beauty Ambassador, and Advanced Adviser. Classes cover contents

such as “basic store management program for new franchisees”, “basic/high-end product and general skin care skills”, “advanced warehouse management and market expansion capabilities”, “business development advanced seminar”, “new product and skin care knowledge”, among others. Outstanding beauty professionals receive the required training. Consistent high-quality services are provided to meet the manpower demand while the number of stores keeps growing. Software and hardware are upgraded simultaneously. Best results are accomplished by word of mouth and brand visibility. On a market with fierce competition, Chlitina has gradually accumulated explosive growth momentum.

(E) Regulations Governing Services Provided in the Beauty Sector

The requirements of Chlitina for systems and guidelines are all in compliance with regulations governing services provided in the beauty sectors promulgated in Mainland China and through organized education and counseling, more rigid requirements are communicated in order to stand out in the mist of competition in beauty business.

(F) Self-owned R&D Capabilities and R&D in Regenerative Medicine

a. Fundamental Research

Experienced R&D people constantly collect and analyze various latest publications and study reports on skin physiology to be the basis for their research and production so that the benefits and forward-looking nature of products can be ensured. The research includes the aging mechanism, cause for melanin to occur and synthesize, skin moisturizing and reconstruction of the barrier mechanism, and allergic and immune response, among other biochemical pathways. Active ingredients capable of antagonizing, promoting, or inhibiting various biochemical reactions are being sought in order to come up with products with powerful and comprehensive formula functionality.

b. Formulation Research

Professional knowledge such as interface chemistry and colloid chemistry is flexibly applied to different formulations such as soluble, melt adhesive, dispersion, suspension, emulsion and microemulsion, and nano-emulsion to design formulas that are well received by the senses, such as enhanced, extended-release, tactile, fragrant, and skin feel.

c. Process Research

Different mechanical forces are applied (such as mixing, cutting, shredding, grinding, and homogenizing) to realize consistent and steady mass production quality. Senior researchers combine three professional techniques and experiences to constantly develop novel products for which mass production is possible and whose quality is stable.

d. Research in Regenerative Medicine

Experts in the field of regenerative medicine at well-known national research institutes are combined to apply the R&D advantages and results of regenerative medicine to existing products and existing channels and to contribute to the innovation of products and regimens.

B. Disadvantageous Factors and Countermeasures

(A) Change in Cosmetologists

Cosmetologists are the cornerstone of beauty salons. Generally speaking, it takes about two (2) years to complete the training and education. Due to the fact that the overall turnover rate in the sector is high, however, quality of cosmetologists varies. Also because of the fierce competition on the market, significant changes in cosmetologists tend to occur.

Countermeasures:

Internal statistics show that the retention rate among cosmetologists who have attended centralized corporate training twice within a year can reach above 90%. The original centralized training and education that occur at the main office is now changed to take place at respective areas in provinces throughout the country in order to reduce the time, transportation,

among other costs, spent and to accordingly enhance the staff retention rate. Meanwhile, product information may be updated at any time and the latest service educational training may be provided.

Chlitina owns the complete educational training mechanism. The training available for beauty elites consists of three stages; they are Basic Training, Beauty Ambassador, and Advanced Adviser. Reinforced learning is provided to meet the needs for market deployment and reflect the learning phase. Intensive educational learning programs are organized to provide complete and long-lasting professional human resources.

(B) Changing Commodity Prices Affect Operational Cost

Due to the fact that products of Chlitina feature extract essence from natural plants, major raw materials, including Rose vanilla pollen, marine algae, vitamin, amino acids, and various types of precious plants, come from different places and this results in the production cost being affected by the availability of raw materials because of the climate. As far as the packing materials are concerned, there is paper, plastic, and glass and the importation prices of these materials are also affected due to fluctuating crude oil prices.

Countermeasures:

Despite the fact that the fluctuating prices in botanical materials and crude oil have slightly driven up the costs of commodities and hardware, the overall expanded systematic scale relatively reduces the operational cost. Besides, the main source of cost for Chlitina comes from the operational cost of channels that offer exquisite services. Compared to pricing of products, the costs of raw materials account for a relatively small weight for the Company. Meanwhile, educational training for staff and the organization adds to the value of service and by applying digital technology, distant education and circulation of information are boosted, which can also relatively reduce the cost of training.

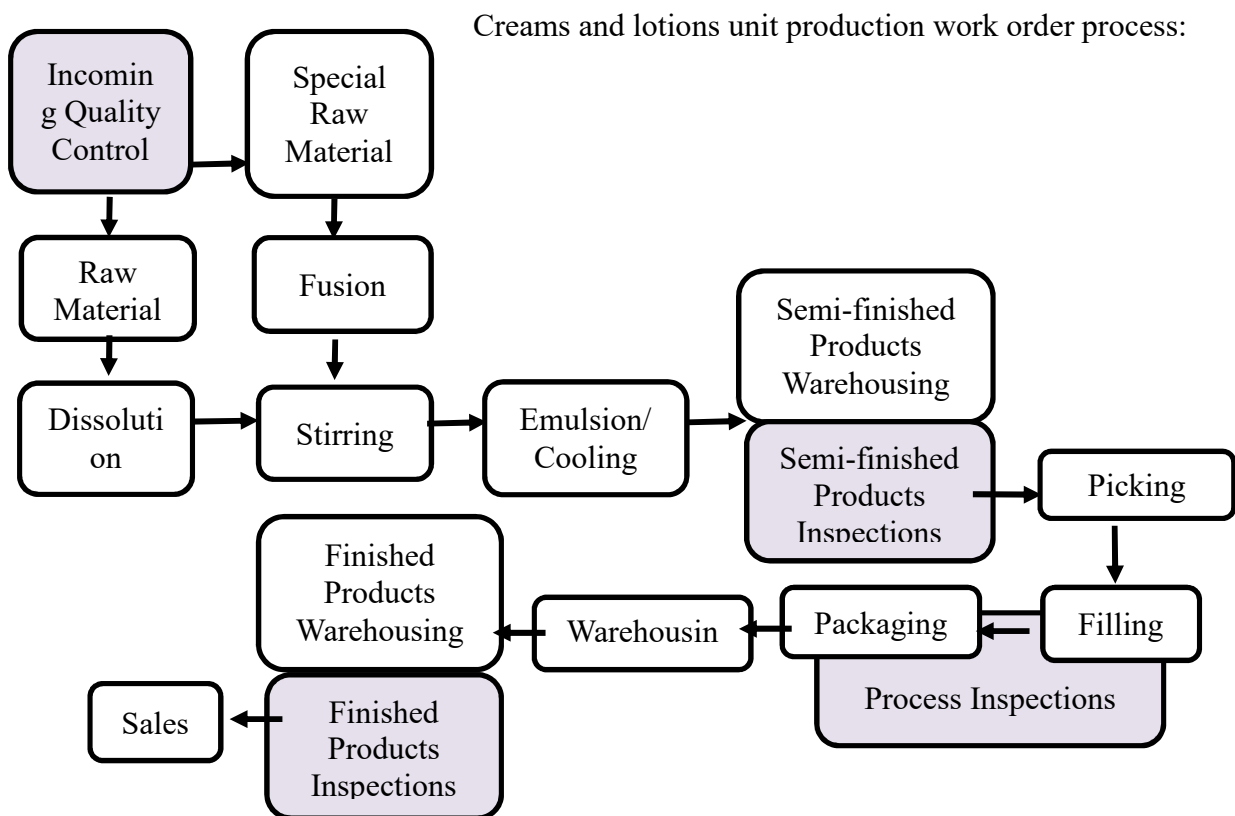
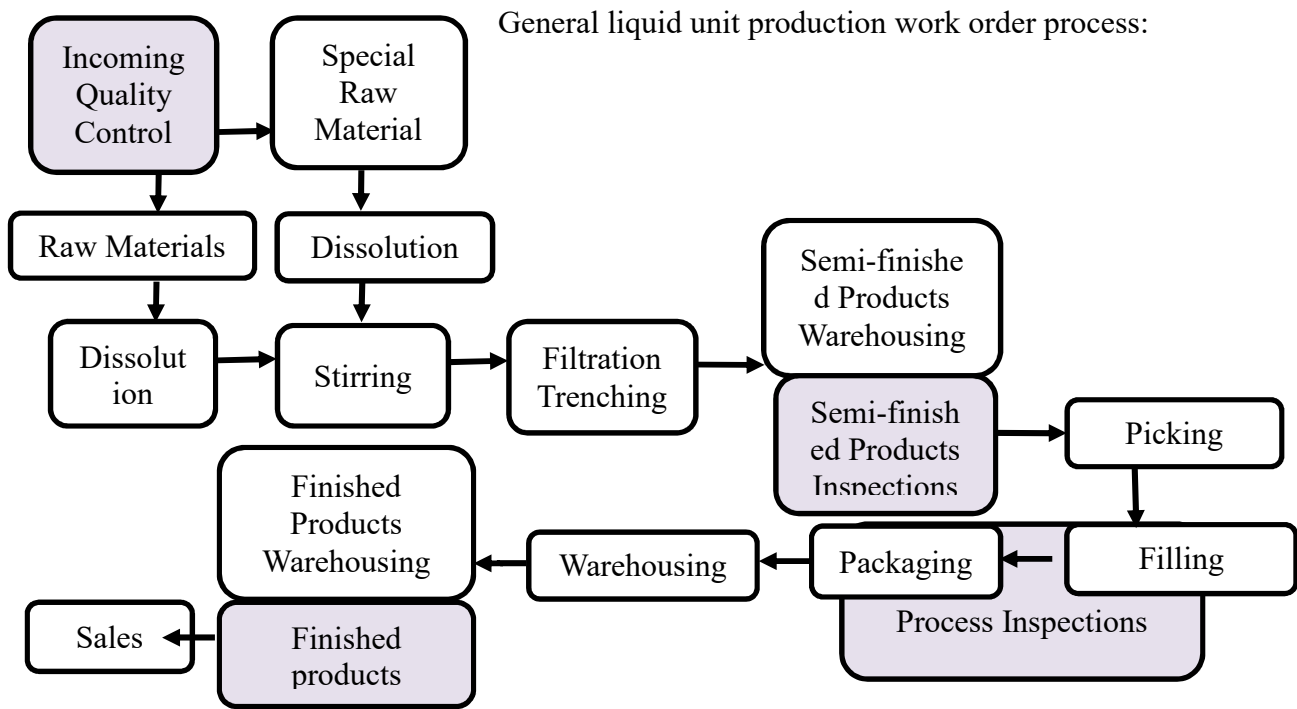
2. Important purpose and production process of major products

(1) Important purpose of major products

The Company mainly supplies skin care and beauty care products for use by women on their face to care for their skin and to accomplish whitening, softening, wrinkle-removing, and anti-aging effects. The distribution, on the other hand, is done through brand franchising. That is, the Company provides franchisees with educational training and helps them train skin care cosmetologists. Goods are supplied centrally by the Company to franchised stores as well and consistent corporate logos are created. Only the Company's products are allowed at franchised stores.

(2) Production process of major products

For the Company's products, according to the production equipment, facilities, and production capabilities, production qualification for the following 2 categories, was acquired. They are general liquids (cleansing, skin care liquids, and gelatin), and ointment/cream/emulsion (skin care cleansing and hairstyle), the process flow goes as follows:



3. Supply for main materials

The primary raw materials of beauty skin care products manufactured by the Company include chemicals, semi-finished products, and packing materials, among others. They come from numerous suppliers and supplies of primary raw materials over the past 3 years have been desirable. To ensure a steady supply of materials and products that meet pre-defined criteria for quality at favorable prices, the Company has signed annual contracts with the key suppliers to guarantee supply volume for the year at better than market prices. In addition, the Company has taken the extra step of auditing and managing the key suppliers to ensure the timely delivery of raw materials and their quality. This year, the strategy is to develop

relationships with more reputable manufacturers domestically and offshore, and international raw materials suppliers. In terms of the respective raw materials and ordinary materials, only several suppliers are maintained and the Company keeps long-term favorable partnerships with respective suppliers in order to ensure steady sources of supply. Work in collaboration with the suppliers and grow together.

4. Descriptions of Major Changes in Gross Profits by the Primary Product or Department over the Past Two years

Major changes in gross profits by the primary product or department over the past two years

Unit: NT\$1,000

Item	Year	2017	2018
Operating revenues		3,290,702	4,578,513
Gross profit		2,666,626	3,778,754
Gross profit ratio		81.03%	82.53%
Rate of change in gross profit ratio		0.92%	1.85%

5. List of Primary Purchases and Sales Customers

- (1) Names of suppliers accounting for 10% of total purchases or more in any year of the most recent two years and the value and ratio of purchases from them, with descriptions of reasons for the increase or decrease.

Unit: NT\$1,000; %

Year	2017				2018				2019			
Item	Customer Name	Amount	Annual net ratio of purchase (%)	Relationship with issuer	Customer Name	Amount	Annual net ratio of purchase (%)	Relationship with issuer	Customer	Amount	Annual net ratio of purchase (%)	Relationship with issuer
1	Charming Biotech Corporation	61,721	12.34	Related parties	Charming Biotech Corporation	97,326	15.03	Related parties	-	Note	-	-
2	Others	438,507	87.66	None	Others	550,129	84.97	None	-	-	-	-
	Total	500,228	100	-	Total	647,455	100	-	-	-	-	-

Note: As of the issue date, the 2019 Q1 financial statements checked by the accountants have not been released.

Descriptions of change in increase/decrease:

Purchases made by the Company are mainly chemical raw materials, semi-finished products, packing materials, and healthy drinks, among others. In terms of chemical raw materials, semi-finished products, and packing materials, there are several suppliers and no shortage in or interrupted supply of goods has happened. Generally speaking, changes in suppliers over the past two (2) years should be reasonable.

- (2) Names of customers accounting for 10% of total sales or more in any year of the most recent two (2) years and the value and ratio of sales to them, with descriptions of reasons for the increase or decrease:

The Company's products are mainly sold in China's domestic market and it is positioned as a franchise brand on the market. It is meant mainly to create a brand platform and maintain a marketing network and keeps a brand franchise relationship with all franchisees. Over the past few years, the successful expansion in business operation of the Company's franchised stores has contributed to the steady growths in the Company's sales and further added to the number of the Company's sales customers and decentralized them. No single sales customer failed to account for 10% of the net sales of the Company over the past two (2) years; therefore, there is no risk of focused sales. Generally speaking, no major abnormalities were found with sales customers over the past two (2) years.

6. Production Volume/Value and Variation Analysis Over the Past Two (2) years

Unit: kpcs; NT\$1,000

Year of production Production volume/value Major products	2017			2018		
	Throughput	Production volume	Production value	Throughput	Production volume	Production value
Face skin care products	17,800	4,959	323,767	17,800	7,086	386,306
Body products		98	15,418		69	6,646
Aromatic products		2	272		4	506
Others		59	6,206		65	5,713
Total	17,800	5,118	345,663	17,800	7,244	399,171

7. Sales Volume/Value and Variation Analysis Over the Past Two (2) years

Unit: kpcs; NT\$1,000

Year Sales volume/value Item	2017				2018			
	Importation		Exportation		Importation		Exportation	
	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Face care products	161	139,753	3,156	2,823,259	207	124,824	3,800	4,024,423
Body products	11	2,757	57	73,855	4	924	40	56,812
Aromatic products	3	2,693	6	3,524	3	2,724	5	3,336
Others	70	15,502	1,126	229,359	49	14,370	1,198	351,100
Total	245	160,705	4,345	3,129,997	263	142,842	5,043	4,435,671

IV. Number of practitioners over the past two (2) years

Item		2017	2018	2019 up to the end of March
Number of employees	Manager	72	61	64
	Ordinary staff	516	526	547
	Production line employees	39	45	44
	Total	627	632	655
Average age		35.27	34.94	35.74
Average years of service		4.24	4.42	4.18
Education distribution ratio %	Doctorate	0.16%	0.16%	0.15%
	Master degree	2.71%	3.48%	3.51%
	University/college	77.83%	76.74%	76.49%
	Senior high school and below	11.96%	19.62%	19.85%
	Total	100.00%	100.00%	100.00%

V. Environmental protection expenditures information

In the overall factory production chain, cosmetics and care products belong to the “low-contamination and high-tech” environmentally friendly business category. The production focuses on formula research and precise reconstitution and packaging of biotech raw materials. The Company applies vacuum emulsifying and mixing, continuous cooling, high-speed cutting and mixing, and the micro-flow collision high-pressure homogenizing process, among other advanced processes to create each marvelous quality care and cosmetic products with pure and clean natural raw materials. The Environmental Protection Bureau in Songjiang District of Shanghai even conferred upon the Company a certificate to prove its compliance with environmental legislation and the Company’s commitment to proactively enforce the idea of environmentally friendly corporation.

1. As is required by law, for those that should apply for a permit for setting up contamination facilities or a permit for contamination emissions or should pay pollution prevention and control fees or should have environmental protection unit and staff, the application, payment, or establishment statuses are described as follows:

The Company’s subsidiary Weishuo Company has a production factory in Shanghai, China where ISO9001 Quality and 14001 Environmental Management System are enforced and Good Manufacturing Practice criteria are complied. Meanwhile, it is certified for HACCP (Hazard Analysis and Critical Control Point) compliance. The environmental assessment report was obtained as soon as the factory was first established. Also, because the premises were rented from the related party and the volume of contaminated water generated during production and to be discharged is yet to reach the criteria of control, it is now discharged into the sewer after having been treated through the water treatment equipment and gone through biochemistry treatment of Kelti (China) and the said related party has also obtained the water discharge permit. In addition, as far as waste treatment is concerned, contracts have also been entered into with qualified

waste treatment service providers to ensure periodic treatments.

2. List investments of the Company in major equipment to help prevent against environmental pollution and the purposes as well as possible benefits: None
3. Contamination disputes in the Company's effort to correct environmental pollution over the past two (2) years up to the date the annual report was printed and describe the management process: None.
4. The total value of losses (including compensation) and dispositions of the Company over the past two (2) years up to the date the annual report was printed and disclose its future countermeasures (including improvement measures) and possible expenses (including the estimated values of possible losses, dispositions, and compensation if no countermeasures were not adopted; if they cannot be reasonably estimated, descriptions of facts that they cannot be reasonably estimated should be provided): None.
5. Explain current pollution status and the impacts of its correction on the Company's earnings, competitive advantages, and capital expenditure and estimated major environmental protection-oriented capital expenditure in the coming two (2) years: None.

VI. Relations between employees and employer

1. List the various benefits, continuing education, training, and retirement systems available at the Company and their implementation status and the agreement between the employer and employees and measures on the protection of various employees' rights:

- (1) Employee benefit measures and implementation status

The main location of operation for the Group is Mainland China where the benefits provided by the Company include those required by the Law of the People's Republic of China on Employment Contracts, the Regulation of Shanghai Municipality on Labor Contracts and labor insurance and health insurance in compliance with the local government's requirements. Besides benefits under applicable China laws, regulations, and policies, the Company also provide employees with various kinds of allowances, bonuses, vacations, cultural and recreational activities, continuing education programs, social insurance, among others.

- (2) Continuing Education and Training

Talent is the most important core competitive advantage of the Company and continuing education and training help inspire personal potential of employees and boost their knowledge so that labor can be effectively utilized and the overall management performance of the Company may be enhanced to accordingly fulfill the operational goal of the Company. In order to improve employees' quality and skills at work, when new hires report to work, the pre-service training is given and the Company conducts general and specialized training as needed from time to time. Long-term management and training are provided to employees at respective management levels through e-learning.

- (3) Retirement system and implementation status

The Company mainly operates in Mainland China and according to local labor laws, employees are enrolled in endowment insurance. The Company also sets aside employee insurance according to local requirements in order to protect their welfare.

- (4) Employer-employee agreement and measures to protect various rights of the employees

Besides establishing work rules as required by law in order to clearly specify the various labor conditions and to protect employees' rights, the Company has the employee complaint channel available so that the various rights of employees may be handled fairly and reasonably in various ways. Up to date, the Company has not experienced any major employer-employee disputes.

2. Describe the losses borne by the Company due to employer-employee disputes in the most recent year and up to the date the annual report was printed and disclose possible estimated values and countermeasures at present and in the future; if they cannot be reasonably

estimated, descriptions of facts that they cannot be reasonably estimated should be provided.

The employer-employee relations of the Company have been harmonious. No major losses have ever occurred due to employer-employee disputes. It is estimated that no such major losses will occur due to employer-employee disputes in the future, either.

VII. Important Contracts

Weishuo (Shanghai) Daily Product Limited

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Technology developed	Tongji University	December 21, 2017- December 20, 2022	Products R&D	None

Weihsu (Shanghai) Trade Limited

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Lease Agreement	A Company	March 10, 2019- December 31, 2028	Lease contract for House	Non-disclosure

Chlitina (China) Trade Limited

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Real estate business Agreement	Zhaocang (Shanghai) Trade Limited	May 31, 2018-June 30, 2018	Purchase of the office building	None

Shanghai Yuanshuo Management Consulting Limited

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Lease Agreement	Mr. Yang	January 31, 2019-April 30, 2028	Lease contract for House	None

Six. Financial Status

I. Summary of the financial information for the most recent five years

1) Summary of Balance Sheet

Unit: NT\$1,000

Item		Financial information for the most recent 5 years					
		2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	March 31, 2019 (Note 1)
Current Assets		2,994,416	4,735,959	4,260,197	4,194,313	4,768,842	
Real estate, plant and equipment		1,148,643	1,066,537	975,309	1,057,140	1,363,566	
Intangible assets		107,244	39,385	39,037	58,861	76,028	
Other assets		149,053	132,972	335,407	81,490	179,905	
Total assets		4,399,356	5,974,853	5,609,950	5,391,804	6,388,341	
Current Liabilities	Before distribution	1,061,804	1,167,968	2,029,827	1,899,222	2,245,959	
	After distribution	1,618,250	1,962,892	2,541,347	2,535,160	Note 2	
Non-current liabilities		7,969	860,156	20,301	10,779	28,831	
Total liabilities	Before distribution	1,069,773	2,028,124	2,050,128	1,910,001	2,274,790	
	After distribution	1,626,219	2,823,048	2,561,648	2,545,939	Note 2	
Total equity attributable to the owner of parent company		3,329,583	3,946,729	3,559,822	3,481,803	4,113,551	
Capital stock		794,924	794,924	794,924	794,924	794,924	
Additional paid-in capital		1,419,463	1,456,484	1,456,484	1,456,484	1,351,932	
Retained earnings	Before distribution	987,689	1,598,085	1,533,427	1,605,021	2,306,734	
	After distribution	431,243	803,161	1,021,907	1,088,321	Note 2	
Other equities		127,507	97,236	(181,806)	(258,063)	(340,039)	
Treasury stock		-	-	(43,207)	(116,563)	-	
Uncontrolled equity		-	-	-	-	-	
Equity Total amount	Before distribution	3,329,583	3,946,729	3,559,822	3,481,803	4,113,551	
	After distribution	2,773,137	3,151,805	3,048,302	2,845,865	Note 2	

Note 1: The Company was founded on July 3, 2012. The information in the 2014-2018 summary of balance sheet is on the basis of the financial statements audited and issued by the accountants. As of the issue date, the 2019 Q1 financial statements checked by the accountants have not been released.

Note 2: The 2018 profit distribution is subject to the resolution of the regular meetings of shareholders.

2) Summary of Consolidated Income Statements

Unit: NT\$1,000

Item	Financial information for the most recent 5 years					
	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 年 (Note 1)	March 31, 2019 (Note 1)
Operating revenues	3,071,369	4,394,264	3,360,584	3,290,702	4,578,513	-
Gross profit	2,479,834	3,338,536	2,698,304	2,666,626	3,778,754	-
Operating profit and loss	877,892	1,371,183	1,003,647	803,311	1,562,668	-
Non-operating revenues and expenses	119,389	70,466	21,419	17,899	105,877	-
Pretax income	997,281	1,441,649	1,025,066	821,210	1,668,545	-
Continuing departments net income – current period	755,837	1,167,087	730,790	582,962	1,218,880	-
Discontinued operation loss	-	-	-	-	-	-
Current net profit (loss)	755,837	1,167,087	730,790	582,962	1,218,880	-
Current other consolidated profit/loss (net after tax)	76,529	(30,516)	(279,566)	(76,105)	(82,443)	-
Total consolidated income – current period	832,366	1,136,571	451,224	506,857	1,136,437	-
Net profit attributable to the owner of parent	755,837	1,167,087	730,790	582,962	1,218,880	-
Net profit attributable to uncontrolled equity	-	-	-	-	-	-

Net profit from total consolidated profit/loss attributable to the owner of parent	832,366	1,136,571	451,224	506,857	1,136,437	-
Total consolidated income attributable to uncontrolled equity	-	-	-	-	-	-
Earnings per share (NT\$)	9.51	14.68	9.19	7.41	15.40	-

Note 1: The Company was founded on July 3, 2012. The information in the 2014-2018 summary of profit/loss and taxes statement is on the basis of the financial statements audited and issued by the accountants. As of the issue date, the 2019 Q1 financial statements audited and issued by the accountants have not been released.

3) Independent auditors over the past 5 years and their audit opinions

Year	Independent auditing firm	Name of enterprise	Inspection Feedback
2014	Huang, Po-Shu; Yu, An-Tien	KPMG Certified Public Accountants	Unqualified opinions
2015	Huang, Po-Shu; Yu, An-Tien	KPMG Certified Public Accountants	Unqualified opinions
2016	Huang, Po-Shu; Yu, An-Tien	KPMG Certified Public Accountants	Unqualified opinions
2017	Lin, Jun-Yao, Zhang, Shu-Qiong	Pricewaterhouse Coopers Certified Public Accountants	Unqualified opinions
2018	Lin, Jun-Yao, Zhang, Shu-Qiong	Pricewaterhouse Coopers Certified Public Accountants	Unqualified opinions

II. Financial analysis for the most recent five years

Year		Financial analysis for the most recent five years					
		2014	2015	2016	2017	2018	March 31, 2019(Note 1)
Analysis item (Note 1)	Ratio of liabilities to assets	24.32	33.94	36.54	35.42	35.61	-

	Long-term capital accounted for real estate, plant and equipment ratio	290.56	450.70	367.08	330.38	303.79	-
Debt-paying ability	Current ratio (%)	282.01	405.48	209.83	220.84	212.33	-
	Quick ratio (%)	255.18	360.72	182.39	192.24	186.90	-
	Times interest earned	63.23	1,015.53	60.44	48.53	58.20	-
Operational ability	Accounts receivable turnover rate (times)	182.78	12.67	9.92	498.06	1328.84	-
	Average cash collection days	2	29	37	1	0	-
	Inventory turnover rate (times)	2.44	3.01	1.41	1.26	1.72	-
	Accounts payable turnover rate (times)	15.27	10.01	4.97	7.42	11.15	-
	Average days on goods sold	150	121	258	289	212	-
	Real estate, plant and equipment turnover rate (times)	2.72	3.96	3.29	3.23	3.78	-
	Total assets turnover rate (times)	0.70	0.84	0.58	0.59	0.78	-
Profitability	Return on assets (%)	17.58	22.52	12.83	10.82	21.07	-
	Return on equity (%)	24.01	32.07	19.47	16.55	32.10	-
	Net income before tax accounted for paid-in capital ratio (%)	125.46	181.35	128.95	103.30	209.90	-
	Profit margin (%)	24.61	26.55	21.75	17.71	26.62	-
	Earnings per share (NT\$)	9.51	14.68	9.19	7.41	15.40	-
Cash flow	Cash flow ratio (%)	77.60	47.07	72.62	37.84	58.62	-
	Cash flow adequacy (%)	-	-	-	-	-	-
	Cash reinvestment ratio (%)	9.30	-0.13	17.17	5.26	11.21	-
Leverage	Operating leverage	1.29	1.18	1.21	1.31	1.06	-
	Financial leverage	1.02	1.00	1.02	1.02	1.02	-

	<p>Please explain the reasons for changes in each financial ratio during the most recent 2 years. (Analysis is not required if the magnitude of increase or decrease is less than 20%).</p> <ol style="list-style-type: none"> 1. Financial structure Increase or decrease is less than 20%. 2. Debt-paying ability Increase in times interest earned: Mainly due to the increase in current net income before tax. 3. Operational ability Increase in accounts receivable turnover rate and decrease in average cash collection days: Mainly due to the reduction of current balance of accounts receivable. Increase in inventory turnover rate and decrease in average days on goods sold: Mainly due to the current inventory balance remain unchanged and the increase in the cost of goods sold. Increase in accounts payable turnover rate: Mainly due to the reduction of current balance of accounts payable. Increase in total assets turnover rate: Mainly due to the increase in net income of goods sold. 4. Profitability Increase in return on assets, return on equity, profit margin and earnings per share: Mainly due to the increase in current net income after tax. Increase in net income before tax accounted for paid-in capital ratio: Mainly due to the increase in current net income before tax. 5. Cash flow Increase in cash flow ratio and cash reinvestment ratio: Mainly due to the increase in net profit before tax and result of the increase in net cash inflow from operating activities. 6. Leverage Increase or decrease is less than 20%.
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Note 1: As of the issue date, the 2019 Q1 financial statements audited and issued by the accountants have not been released.

Note 2: The calculation has not been done due to absence of such information as the net cash flows from the operating activities and capital expenditure in the most recent 5 years.

Note 3: The calculation formula for each financial ratio is shown in the following table:

1. Financial structure

(1) Liability to asset ratio = Total liabilities / Total assets

(2) Long-term capital accounted for real estate, plant and equipment ratio = (Total equity + Non-current liabilities) / Net of real estate, plant and equipment.

2. Debt-paying ability

(1) Current ratio = Current asset / Current liabilities.

(2) Quick ratio = (Current asset - Inventory - Advance payments) / Current liabilities.

(3) Times interest earned = Pre-net income of income tax and interest expense / Current interest expenditures.

3. Operational ability

(1) Turnover of amounts receivable (including the accounts receivable and notes receivable

incurred in operation) = net sales/ average balance of the amounts receivables of each period (including the accounts receivable and notes receivable incurred in operation).

(2)Average cash collection days = 365 / Accounts receivable turnover rate.

(3)Inventory turnover rate = Cost of goods sold / Average inventory amount.

(4)Turnover of amounts payable (including the accounts payable and notes payable incurred in operation) = sales costs/ average balance of the amounts payable of each period (including the accounts payable and notes payable incurred in operation).

(5)Average days on goods sold = 365 / Inventory turnover rate.

(6)Real estate, plant and equipment turnover rate = Net income of goods sold / Average net income of real estate, plant and equipment.

(7)Total assets turnover rate = Net income of goods sold / Average total assets.

4. Profitability

(1)Return on assets = [After-tax income (loss) + Interest expense × (1 - Tax rate)] / Average total assets.

(2)Return on equity = After-tax income (loss) / Average total equity.

(3)Net profit margin = After-tax income (loss) / Net income of goods sold.

(4)EPS = (After-tax income (loss) attributable to the owner of the parent company - Preferred stock dividends) / Weighted average number of outstanding shares.

5. Cash flow

(1)Cash flow rate = Net cash flow from operating activities / Current liabilities.

(2)Cash flow adequacy ratio = Net cash flow from operating activities during the most recent 5 years / (Capital spending + Inventory increase amount + Cash dividends) during the most recent 5 years.

(3)Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross amount of real estate, plant and equipment + Long-term investment + Other non-current liabilities + Operating fund).

6. Leverage:

(1)Operating leverage = (Net income of operating - Change of operating costs and expense) / Operating benefits.

(2)Financial leverage = Operating benefits / (Operating benefits - Interest expense).

III. Audit Committee's Report on the Latest Financial Statements

Chlitina Holding Limited Audit Report from the Audit Committee

The Board of Directors has submitted the Company's 2018 business report, financial statements, and earnings appropriation proposal. Independent auditors, Lin, Chun-Yao and Chang, Shu-Chiung of PwC Taiwan, were retained by the Board to audit the financial statements and has issued an audit report accordingly. The business report, financial statements, and earnings appropriation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Attn.

2019 General Shareholders' Meeting of Chlitina Holding Limited

Chlitina Holding Limited

Audit Committee

Convened by: Tsai, Yu-Ching



Handwritten signature in Chinese characters, appearing to be '蔡玉晶' (Tsai Yu-Ching), written over a horizontal line.

March 12, 2019

Chlitina Holding Limited

Audit Report from the Audit Committee

The Board of Directors has submitted the Company's 2018 business report, financial statements, and earnings appropriation proposal. Independent auditors, Lin, Chun-Yao and Chang, Shu-Chiung of PwC Taiwan, were retained by the Board to audit the financial statements and has issued an audit report accordingly. The business report, financial statements, and earnings appropriation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Attn.

2019 General Shareholders' Meeting of Chlitina Holding Limited

Chlitina Holding Limited
Audit Committee



Member: Kao, Peng-Wen

Handwritten signature in black ink, appearing to be '高蓬文' (Gao Pengwen), written over a horizontal line.

March 12, 2019

Chlitina Holding Limited

Audit Report from the Audit Committee

The Board of Directors has submitted the Company's 2018 business report, financial statements, and earnings appropriation proposal. Independent auditors, Lin, Chun-Yao and Chang, Shu-Chiung of PwC Taiwan, were retained by the Board to audit the financial statements and has issued an audit report accordingly. The business report, financial statements, and earnings appropriation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Attn.

2019 General Shareholders' Meeting of Chlitina Holding Limited

Chlitina Holding Limited
Audit Committee



Member: Yu, Hong-Ding

A handwritten signature in black ink, appearing to be '于 345' followed by a stylized flourish, positioned above a horizontal line.

March 12, 2019

IV. Financial statements for the recent year

**CHLITINA HOLDING LIMITED AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2018 AND 2017**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Chlitina Holding Limited

Opinion

We have audited the accompanying consolidated balance sheets of Chlitina Holding Limited and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated 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 Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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, we do not provide a separate opinion on these matters.

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2018 are outlined as follows:

Accuracy of sales discounts and allowances calculation and recognition

Description

Refer to Note 4(29) for accounting policy on sales discounts and allowances.

The Group offers sales discounts and allowances to customers based on mutual agreement which is recorded as deduction to operating revenue. Given its mathematical complexity, large volume and its significance in determining the Group's operating performance and financial condition for the investors and key management, we consider it one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Tested whether the internal controls over sales and collection process (including manual and system controls) are effectively designed and performed.
- B. Obtained documentation reviewed and approved by key management to verify whether the estimates and calculation on sales discounts and allowances are accurate.
- C. Tested selected samples of sales discounts and allowances transaction, reviewed the supporting documentation and confirmed whether they are accurate.

Accounting estimates on inventory valuation

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5 for accounting estimates and

assumption uncertainty in relation to inventory valuation and Note 6(4) for details of inventories. The Group is primarily engaged in the research and development, manufacturing and sales of skincare products. Due to the short expiration dates of its products, the Group is exposed to higher risks of inventory valuation loss or overdue loss when purchase orders are modified or product demand deteriorates unexpectedly. The Group evaluates inventories stated at the lower of cost and net realisable value and recognises provision based on the length of time to the products' expiration date.

Since the amount of inventories is significant, the inventory items are numerous, the evaluation of inventories is subject to management's judgement and the accounting estimations will have a significant influence on the inventory values, we consider the evaluation of inventories as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Assessed whether the policy on the allowance for inventory valuation loss is reasonable based on our understanding of the Group's operations and industry.
- B. Tested whether the market value on which the net realisable value is estimated is consistent with the Group's policy, and validated, on a test basis, the selling price and the accuracy of net realisable value calculation.
- C. Obtained the detailed listings of products' expiration date, and inspected the related supporting documents and proper recognition in the financial statements.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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:

- A. 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.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

Lin, Chun-Yao

Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of dollars)

Asset	Notes	December 31, 2018			December 31, 2017			
		CNY	TWD	%	CNY	TWD	%	
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 882,380	\$ 3,946,003	62	\$ 749,780	\$ 3,422,746	63
1136	Financial assets at amortised cost - current	6(1)(2)	51,501	230,312	4	-	-	-
1170	Accounts receivable, net	6(3)	591	2,643	-	310	1,415	-
1180	Accounts receivable-related parties, net	6(3)and 7	486	2,175	-	144	658	-
1200	Other receivables		3,414	15,267	-	1,393	6,359	-
1210	Other receivables-related parties	7	200	894	-	261	1,191	-
130X	Inventories	6(4)	107,581	481,102	8	98,658	450,374	8
1410	Prepayments	7	20,153	90,124	2	20,334	92,825	2
1476	Other current financial assets	6(1)and 8	-	-	-	45,630	208,300	4
1479	Other current assets		72	322	-	338	1,543	-
11XX	Total current assets		<u>1,066,378</u>	<u>4,768,842</u>	<u>76</u>	<u>916,848</u>	<u>4,185,411</u>	<u>77</u>
Non-current assets								
1550	Investments accounted for using equity method	6(5)	5,119	22,892	-	6,006	27,417	1
1600	Property, plant and equipment, net	6(6)and 7	304,912	1,363,566	21	231,575	1,057,140	20
1760	Investment property, net		13,408	59,961	1	-	-	-
1780	Intangible assets, net	6(7)	17,001	76,028	1	12,894	58,861	1
1840	Deferred income tax assets	6(22)	6,978	31,206	-	8,363	38,177	1
1990	Other non-current assets		14,724	65,846	1	5,432	24,798	-
15XX	Total non-current assets		<u>362,142</u>	<u>1,619,499</u>	<u>24</u>	<u>264,270</u>	<u>1,206,393</u>	<u>23</u>
1XXX	Total assets		<u>\$ 1,428,520</u>	<u>\$ 6,388,341</u>	<u>100</u>	<u>\$ 1,181,118</u>	<u>\$ 5,391,804</u>	<u>100</u>

- Continued -

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of dollars)

	Liabilities and Equity	Notes	December 31, 2018			December 31, 2017		
			CNY	TWD	%	CNY	TWD	%
Current liabilities								
2100	Short-term loans	6(8)	\$ 231,386	\$ 1,034,758	16	\$ 156,460	\$ 714,240	13
2130	Current contract liabilities	6(17)	46,791	209,249	3	-	-	-
2170	Accounts payable		13,222	59,129	1	12,118	55,319	1
2180	Accounts payable-related parties	7	3,159	14,129	-	3,253	14,851	-
2219	Other payables	6(10)	125,090	559,402	10	96,015	438,309	8
2220	Other payables-related parties	7	1,979	8,850	-	1,528	6,975	-
2230	Current income tax liabilities		16,877	75,474	1	15,119	69,018	2
2310	Advance receipts		-	-	-	72,309	330,091	6
2321	Long-term liabilities – current portion	6(11)	-	-	-	409	1,865	-
2645	Guarantee deposits		63,723	284,968	4	58,829	268,554	5
21XX	Total current liabilities		<u>502,227</u>	<u>2,245,959</u>	<u>35</u>	<u>416,040</u>	<u>1,899,222</u>	<u>35</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(22)	5,386	24,086	1	1,439	6,569	-
2640	Net defined benefit liabilities	6(12)	1,061	4,745	-	922	4,210	-
25XX	Total non-current liabilities		<u>6,447</u>	<u>28,831</u>	<u>1</u>	<u>2,361</u>	<u>10,779</u>	<u>-</u>
2XXX	Total liabilities		<u>508,674</u>	<u>2,274,790</u>	<u>36</u>	<u>418,401</u>	<u>1,910,001</u>	<u>35</u>
Equity attributable to shareholders of the parent								
Share capital								
3110	Common stock	6(14)	161,772	794,924	12	161,772	794,924	15
Capital surplus								
3200	Capital surplus	6(15)	271,792	1,351,932	21	294,208	1,456,484	27
Retained earnings								
3310	Legal reserve	6(16)	89,826	426,489	7	77,313	368,193	7
3320	Special reserve		55,390	258,063	4	-	-	-
3350	Unappropriated retained earnings		324,731	1,622,182	25	236,154	1,236,828	23
Other equity								
3410	Financial statements translation differences of foreign operations		16,335	(340,039)	(5)	19,719	(258,063)	(5)
3500	Treasury stocks	6(14)	-	-	-	(26,449)	(116,563)	(2)
3XXX	Total equity		<u>919,846</u>	<u>4,113,551</u>	<u>64</u>	<u>762,717</u>	<u>3,481,803</u>	<u>65</u>
Significant contingent liabilities and unrecognised contract commitments								
9								
Significant events after the balance sheet date								
11								
3X2X	Total liabilities and equity		<u>\$ 1,428,520</u>	<u>\$ 6,388,341</u>	<u>100</u>	<u>\$ 1,181,118</u>	<u>\$ 5,391,804</u>	<u>100</u>

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

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of dollars, except earnings per share data)

Items	Notes	2018			2017		
		CNY	TWD	%	CNY	TWD	%
4000 Operating revenue	6(17)and 7	\$ 1,004,765	\$ 4,578,513	100	\$ 730,245	\$ 3,290,702	100
5000 Operating costs	6(4)(21)and 7	(175,509)	(799,759)	(17)	(138,490)	(624,076)	(19)
5900 Gross profit		<u>829,256</u>	<u>3,778,754</u>	<u>83</u>	<u>591,755</u>	<u>2,666,626</u>	<u>81</u>
Operating expenses	6(21)and 7						
6100 Selling expenses		(344,315)	(1,568,975)	(34)	(303,608)	(1,368,149)	(42)
6200 Administrative expenses		(142,010)	(647,111)	(14)	(109,883)	(495,166)	(15)
6000 Total operating expenses		<u>(486,325)</u>	<u>(2,216,086)</u>	<u>(48)</u>	<u>(413,491)</u>	<u>(1,863,315)</u>	<u>(57)</u>
6900 Operating profit		<u>342,931</u>	<u>1,562,668</u>	<u>35</u>	<u>178,264</u>	<u>803,311</u>	<u>24</u>
Non-operating income and expenses							
7010 Other income	6(18)	31,753	144,692	3	18,596	83,799	3
7020 Other gains and losses	6(19)	(1,230)	(5,605)	-	(10,596)	(47,749)	(1)
7050 Finance costs	6(20)	(6,401)	(29,168)	(1)	(3,834)	(17,277)	(1)
7060 Share of loss of associates and joint ventures accounted for under equity method	6(5)	(887)	(4,042)	-	(194)	(874)	-
7000 Total non-operating income and expenses		<u>23,235</u>	<u>105,877</u>	<u>2</u>	<u>3,972</u>	<u>17,899</u>	<u>1</u>
7900 Profit before tax		<u>366,166</u>	<u>1,668,545</u>	<u>37</u>	<u>182,236</u>	<u>821,210</u>	<u>25</u>
7950 Income tax expense	6(22)	(98,680)	(449,665)	(10)	(52,870)	(238,248)	(7)
8200 Profit for the year		<u>\$ 267,486</u>	<u>\$ 1,218,880</u>	<u>27</u>	<u>\$ 129,366</u>	<u>\$ 582,962</u>	<u>18</u>
Other comprehensive income (loss)							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311 Remeasurements of defined benefit plans	6(12)	(\$ 103)	(\$ 467)	-	\$ 34	\$ 152	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	-	-	-	-
8310 Total components of other comprehensive loss that will not be reclassified to profit or loss		<u>(103)</u>	<u>(467)</u>	<u>-</u>	<u>34</u>	<u>152</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss							
8361 Financial statement translation differences of foreign operations		(3,384)	(81,976)	(2)	(6,234)	(76,257)	(2)
8399 Income tax relating to the components of other comprehensive income (loss)		-	-	-	-	-	-
8360 Total components of other comprehensive income (loss) that will be reclassified to profit		<u>(3,384)</u>	<u>(81,976)</u>	<u>(2)</u>	<u>(6,234)</u>	<u>(76,257)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year		<u>(3,487)</u>	<u>(82,443)</u>	<u>(2)</u>	<u>(6,200)</u>	<u>(76,105)</u>	<u>(2)</u>
8500 Total comprehensive income (loss) for the year		<u>\$ 263,999</u>	<u>\$ 1,136,437</u>	<u>25</u>	<u>\$ 123,166</u>	<u>\$ 506,857</u>	<u>16</u>
Earnings per share (in dollars)	6(23)						
9750 Basic earnings per share		<u>\$ 3.38</u>	<u>\$ 15.40</u>		<u>\$ 1.64</u>	<u>\$ 7.41</u>	
9850 Diluted earnings per share		<u>\$ 3.37</u>	<u>\$ 15.38</u>		<u>\$ 1.62</u>	<u>\$ 7.31</u>	

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

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of dollars)

Notes	Equity attributable to shareholders of the parent															
	Retained earnings										Other equity					
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Financial statement translation differences of foreign operations		Treasury stocks		Total equity	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
<u>For the year ended December 31, 2017</u>																
Balance at January 1, 2017	\$ 161,772	\$ 794,924	\$ 294,208	\$ 1,456,484	\$ 60,972	\$ 295,114	\$ -	\$ -	\$ 237,478	\$ 1,238,313	\$ 25,953	(\$ 181,806)	(\$ 9,358)	(\$ 43,207)	\$ 771,025	\$ 3,559,822
Profit for the year	-	-	-	-	-	-	-	-	129,366	582,962	-	-	-	-	129,366	582,962
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	34	152	(6,234)	(76,257)	-	-	(6,200)	(76,105)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	129,400	583,114	(6,234)	(76,257)	-	-	123,166	506,857
Appropriations of 2016 earnings	6(16)															
Legal reserve	-	-	-	-	16,341	73,079	-	-	(16,341)	(73,079)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(114,383)	(511,520)	-	-	-	-	(114,383)	(511,520)
Purchase of treasury stocks	6(14)	-	-	-	-	-	-	-	-	-	-	-	(17,091)	(73,356)	(17,091)	(73,356)
Balance at December 31, 2017	<u>\$ 161,772</u>	<u>\$ 794,924</u>	<u>\$ 294,208</u>	<u>\$ 1,456,484</u>	<u>\$ 77,313</u>	<u>\$ 368,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,154</u>	<u>\$ 1,236,828</u>	<u>\$ 19,719</u>	<u>(\$ 258,063)</u>	<u>(\$ 26,449)</u>	<u>(\$ 116,563)</u>	<u>\$ 762,717</u>	<u>\$ 3,481,803</u>
<u>For the year ended December 31, 2018</u>																
Balance at January 1, 2018	\$ 161,772	\$ 794,924	\$ 294,208	\$ 1,456,484	\$ 77,313	\$ 368,193	\$ -	\$ -	\$ 236,154	\$ 1,236,828	\$ 19,719	(\$ 258,063)	(\$ 26,449)	(\$ 116,563)	\$ 762,717	\$ 3,481,803
Profit for the year	-	-	-	-	-	-	-	-	267,486	1,218,880	-	-	-	-	267,486	1,218,880
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	(103)	(467)	(3,384)	(81,976)	-	-	(3,487)	(82,443)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	267,383	1,218,413	(3,384)	(81,976)	-	-	263,999	1,136,437
Appropriations of 2017 earnings	6(16)															
Legal reserve	-	-	-	-	12,513	58,296	-	-	(12,513)	(58,296)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	55,390	258,063	(55,390)	(258,063)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(110,903)	(516,700)	-	-	-	-	(110,903)	(516,700)
Cash dividends from capital surplus	6(15)	-	(25,593)	(119,238)	-	-	-	-	-	-	-	-	-	-	(25,593)	(119,238)
Share-based compensation payment	6(13)	-	3,177	14,686	-	-	-	-	-	-	-	-	-	-	3,177	14,686
Treasury stock sold to employees	6(14)	-	-	-	-	-	-	-	-	-	-	-	26,449	116,563	26,449	116,563
Balance at December 31, 2018	<u>\$ 161,772</u>	<u>\$ 794,924</u>	<u>\$ 271,792</u>	<u>\$ 1,351,932</u>	<u>\$ 89,826</u>	<u>\$ 426,489</u>	<u>\$ 55,390</u>	<u>\$ 258,063</u>	<u>\$ 324,731</u>	<u>\$ 1,622,182</u>	<u>\$ 16,335</u>	<u>(\$ 340,039)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 919,846</u>	<u>\$ 4,113,551</u>

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

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of dollars)

	Notes	Year ended December 31, 2018		Year ended December 31, 2017	
		CNY	TWD	CNY	TWD
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax for the year		\$ 366,166	\$ 1,668,545	\$ 182,236	\$ 821,210
Adjustment					
Adjustment to reconcile profit (loss)					
Depreciation	6(6)(21)	21,679	98,787	19,186	86,458
Amortisation	6(7)(21)	5,243	23,891	3,347	15,082
Net (gain) loss on financial assets at fair value through profit or loss	6(19)	(6,512)	(29,674)	230	1,036
Loss from redemption of corporate bonds	6(19)	-	-	1,607	7,242
Interest expense	6(20)	6,401	29,168	3,834	17,277
Interest income	6(18)	(12,188)	(55,539)	(11,363)	(51,205)
Compensation cost of share-based payments	6(13)	3,177	14,686	-	-
Share of profit of associates and joint venture accounted for under equity method	6(5)	887	4,042	194	874
Losses on disposal of investments	6(19)	-	-	1,262	5,708
Losses on disposal of property, plant and equipment	6(19)	122	556	1,102	4,966
Property, plant and equipment transferred to expenses		659	3,003	-	-
Impairment loss on non-financial assets	6(19)	3,988	18,173	-	-
Changes in operating assets and liabilities relating to operating activities					
Changes in operating assets					
Financial assets and liabilities at fair value through profit or loss		6,512	29,674	2,865	12,911
Accounts receivable		(281)	(1,280)	202	910
Accounts receivable-related parties		(342)	(1,558)	1,757	7,918
Other receivables		(1,150)	(5,240)	1,311	5,908
Other receivables-related parties		61	278	323	1,456
Inventories		(8,923)	(40,660)	1,251	5,637
Prepayments		181	825	381	1,717
Other non-current assets		(8,948)	(40,774)	-	-
Changes in operating liabilities					
Accounts payable		1,292	5,887	(4,688)	(21,126)
Accounts payable-related parties		(94)	(428)	(1,155)	(5,205)
Other payables		28,706	130,808	(10,712)	(48,271)
Other payables-related parties		451	2,055	(426)	(1,920)
Advance receipts		-	-	27,613	124,432
Net defined benefit liabilities		17	68	33	149
Contract liabilities		(25,518)	(116,280)	-	-
Guarantee deposits		4,824	21,982	7,282	32,815
Cash provided by operating activities		386,410	1,760,995	227,672	1,025,979
Interest paid		(5,955)	(27,136)	(443)	(1,996)
Income tax paid		(91,590)	(417,357)	(67,736)	(305,239)
Net cash provided by operating activities		288,865	1,316,502	159,493	718,744

- Continued -

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of dollars)

	Notes	Year ended December 31, 2018		Year ended December 31, 2017	
		CNY	TWD	CNY	TWD
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Decrease (increase) in other current financial assets		\$ 22,165	\$ 101,001	(\$ 22,508)	(\$ 101,428)
Acquisition of financial assets at amortised cost		(28,036)	(127,754)	-	-
Decrease in other current assets		804	3,664	2,946	13,276
Increase in investments accounted for under the equity method		-	-	(6,200)	(28,216)
Proceeds from disposal of investments accounted for under equity method	6(5)	-	-	37,300	164,380
Acquisition of property, plant and equipment	6(6)	(122,490)	(558,163)	(15,786)	(71,136)
Proceeds from disposal of property, plant and equipment		70	319	3,912	17,629
Acquisition of subsidiary	6(26)	-	-	(5,895)	(26,445)
Acquisition of intangible assets	6(7)	(232)	(1,057)	(5)	(23)
Increase in other non-current assets		(344)	(1,568)	(1,882)	(8,481)
Interest received		11,317	51,569	11,238	50,642
Net cash provided by (used in) investing activities		(116,746)	(531,989)	3,120	10,198
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Proceeds from long-term debt	6(27)	50,000	227,840	-	-
Repayments of long-term debt	6(27)	(50,000)	(227,840)	-	-
Repayments of bonds		(417)	(1,900)	(204,321)	(920,732)
Increase in short-term loans	6(27)	66,369	302,429	156,460	714,240
Purchase of treasury stocks	6(14)	-	-	(17,091)	(73,356)
Treasury stock sold to employees	6(14)	26,449	116,563	-	-
Cash dividends paid	6(16)	(136,496)	(635,938)	(114,383)	(511,520)
Net cash flows used in financing activities		(44,095)	(218,846)	(179,335)	(791,368)
Effects due to changes in exchange rates		4,576	(42,410)	(1,928)	(62,669)
Increase (Decrease) in cash and cash equivalents		132,600	523,257	(18,650)	(125,095)
Cash and cash equivalents at beginning of year		749,780	3,422,746	768,430	3,547,841
Cash and cash equivalents at end of year		<u>\$ 882,380</u>	<u>\$ 3,946,003</u>	<u>\$ 749,780</u>	<u>\$ 3,422,746</u>

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

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Chlitina Holding Limited (the “Company”) was incorporated in the Cayman Islands on July 3, 2012, as a company limited by shares in accordance with Article 22 of the Company Act of the Cayman Islands. In order to issue the Company’s common stock in the Taiwan Stock Exchange, the subsidiaries were reorganised by share exchange. The Company is a holding company with no corporate income tax that should be imposed according to the local laws and has limited liability. The Company and its subsidiaries (collectively referred herein as the “Group”) are mainly engaged in the development, manufacture and sale of cosmetics. On November 27, 2013, the Company was approved and listed on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized by the Board of Directors on March 12, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4)B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

- (a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.
- (b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The significant effects of adopting the modified retrospective approach as of

January 1, 2018 are summarised below:

Under IFRS 15, liabilities in relation to sales of products contracts are recognised as contract liabilities-current, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to CNY \$72,239 (TWD \$ 329,771).

- (c) Please refer to Note 12(5)C. for other disclosures in relation to the first application of IFRS 15.

C. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the “modified retrospective approach”). On January 1, 2019, it is expected that right-of-use asset and lease liability would be increased by CYN \$81,700 (NTD \$365,362) and CYN \$77,347 (NTD \$345,896), and prepayments would be decreased by CYN \$4,353 (NTD \$19,466).

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18

(‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
The Company	Chlitina Group Limited (Chlitina Group)	Investing	100	100	
Chlitina Group	Chlitina International Limited (Chlitina International)	Investing	100	100	
Chlitina Group	Chlitina Intelligence Limited (Chlitina Intelligence)	Investing	100	100	Note 1
Chlitina Group	W-Amber International Limited (W-Amber International)	Investing	100	100	
Chlitina Group	W-Champion International Limited (W-Champion International)	Investing	100	100	
Chlitina Group	C-Asia International Limited (C-Asia International)	Investing	100	100	
Chlitina International	Hong Kong Chlitina International Limited (Hong Kong Chlitina)	Investing and trading of skincare products	100	100	
Chlitina International	Chlitina Marketing Limited (Chlitina Marketing)	Investing	100	100	Note 2
Chlitina International	Centre de Recherche et de Developpement de CHLITINA FRANCE EURL (Chlitina France EURL)	Research and development center	100	100	
Hong Kong Chlitina	Chlitina (China) Trade Limited (Chlitina China)	Dealer of skincare products and supplementary health care products	100	100	
Hong Kong Chlitina	Weishuo (Shanghai) Daily Product Limited (Weishuo)	Production and trading of skincare products	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
W-Amber International	W-Amber Marketing Limited (W-Amber Marketing)	Investing	100	100	
Hong Kong Chlitina	Hong Kong W-Amber International Limited (Hong Kong W-Amber)	Investing	100	100	Note 4
Hong Kong W-Amber	Weihu (Shanghai) Trade Limited (Weihu Shanghai)	Investing, dealer of skincare products and supplementary health care products	100	100	
Hong Kong W-Amber	Crystal Asia (Shanghai) Limited (Crystal Asia Shanghai)	Dealer of skincare products and supplementary health care products	100	100	
W-Champion International	W-Champion Marketing Limited (W-Champion Marketing)	Investing	100	100	
Hong Kong Chlitina	Hong Kong W-Champion International Limited (Hong Kong W-Champion)	Investing	100	100	Note 5
Hong Kong W-Champion	Wuguan (Shanghai) Trade Limited (Wuguan Shanghai)	Dealer of skincare products and supplementary health care products	100	100	
Hong Kong Chlitina	Hong Kong Crystal Asia International Limited (Hong Kong Crystal Asia)	Investing	100	100	Note 6
Weihu Shanghai	Shanghai Yuanshuo Management Consulting Limited (Shanghai Yuanshuo)	Enterprise management consulting	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
Shanghai Yuanshuo	Beijing YaPulide Medical Beauty Treatment Clinic Co., Ltd. (Formerly: Beijing Aobaojia Medical Cosmetology Clinic Limited)(Beijing YaPulide)	Medical Cosmetology Services	100	100	Note 3
Hong Kong Crystal Asia	Cui Jie (Shanghai) Trading Co. Ltd.	Dealer of health food and daily necessities	100	100	

Note 1 : Chlitina Intelligence established British Virgin Is. Chlitina Intelligence Limited Taiwan Branch (Chlitina Intelligence Taiwan Branch) which is primarily engaged in management of intellectual property and the research and development center.

Note 2 : Chlitina Marketing established British Virgin Is. Chlitina Marketing Limited Taiwan Branch (Chlitina Marketing Taiwan Branch) which is primarily engaged in the trading of skincare products.

Note 3 : The Group acquired 100% of the share capital of Beijing Aobaojia on April 19, 2017 and thus includes Beijing Aobaojia as an entity in the consolidated financial statements.

Note 4 : In August 2017, W-Amber Marketing transferred 100% equity shares of Hong Kong W-Amber to Hong Kong Chlitina.

Note 5 : In August 2017, W-Champion Marketing transferred 100% equity shares of Hong Kong W-Champion to Hong Kong Chlitina.

Note 6 : In August 2017, C-Asia International transferred 100% equity shares of Hong Kong Crystal Asia to Hong Kong Chlitina.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Both of the Company's functional and presentation currency are TWD, however, the functional currency of the significant operating components of the Group is CNY, thus the consolidated financial statements are presented in CNY.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are

recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

C. On December 31, 2018 and 2017, the spot exchange rates of CNY to TWD were CNY \$1=TWD \$4.4720 and CNY \$1=TWD \$4.5650, respectively, and the average exchange rates of CNY to TWD were CNY \$1=TWD \$4.5568 and CNY \$1=TWD \$4.5063, respectively.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;

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

(6) Cash equivalents

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

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

Effective 2018

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

Effective 2018

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if

such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the

amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

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

Buildings and structure	18 ~ 20 years
Transportation equipment	2 ~ 10 years
Machinery equipment	3 ~ 10 years
Office and other equipment	2 ~ 10 years

(15) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(17) Intangible assets

A. Licences

Separately acquired licences are stated at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 15 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

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

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Financial liabilities and equity instruments-Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable liabilities and presented as an addition to or deduction from bonds payable liabilities, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus-share options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable-net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus – share options.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is

provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. If a change in tax rate is enacted or substantively enacted in the interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(27) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells skincare products, health care products and other products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or

the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) The skincare products and health care products are often sold with volume discounts based on aggregate sales over a 1-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. The Group calculates sales discounts and allowances based on the actual sales in current month. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur, and is settled at each reporting date. The sales usually are made with a credit term of advance receipts before goods shipped to customers, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
 - (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- B. The Group manages franchises and provides employee training services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Franchise contract include multiple deliverables that shall be rendered by the Group, such as store equipment, employee training and others. In most cases, the employee training can be provided by another party, therefore employee training is accounted for as a separate performance obligation. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the sales of store equipment, revenue for the store equipment is recognised at a point in time when the store equipment is delivered, the legal title has passed and the customer has accepted the store equipment.

(30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(31) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree

recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments. The Group's Chief Operating Decision-Maker has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the short expiration dates of its products, the Group evaluates the amounts of expired products or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value.

As of December 31, 2018, the carrying amount of inventories was CNY\$107,581 (TWD\$481,102).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Cash on hand	\$ 390	\$ 1,744	\$ 411	\$ 1,876
Demand deposits	308,197	1,378,257	285,562	1,303,591
Time deposits	120,000	536,640	93,653	427,526
Cash equivalents	453,793	2,029,362	370,154	1,689,753
	<u>\$ 882,380</u>	<u>\$ 3,946,003</u>	<u>\$ 749,780</u>	<u>\$ 3,422,746</u>

A. As of December 31, 2018 and 2017, the Group's cash equivalents pertain to fixed rate financial instruments registered by Shanghai Stock Exchange with maturities of 1 to 28 days.

B. As of December 31, 2018, the Group's time deposits with maturity term of over three months amounted to CNY \$51,501 (TWD \$230,312), which were reclassified as financial assets at amortised cost-current. As of December 31, 2017, the Group's time deposits with maturity term of over three months amounted to CNY \$23,465 (TWD \$107,116), which were reclassified as

other financial assets-current.

- C. As of December 31, 2017, cash and cash equivalents amounting to CNY \$22,165 (TWD \$101,184) were pledged to others as collateral, and were classified as other financial assets - current. Cash and cash equivalents were not pledged to others as collateral as of December 31, 2018. Please refer to Note 8 for information on pledged assets.
- D. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(2) Financial assets at amortised cost

Effective 2018

Items	December 31, 2018	
	CNY	TWD
Current items:		
Time deposits with maturity term of over three months	\$ 51,501	\$ 230,312

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31, 2018	
	CNY	TWD
Interest income	\$ 1,007	\$ 4,589

- B. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was CNY \$51,501 (TWD \$230,312).
- C. The Group has no financial assets at amortised cost pledged to others as collateral.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).
- E. Information on other current financial assets-current at December 31, 2017 is provided in Note 12 (4).

(3) Accounts receivable

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Accounts receivable	\$ 591	\$ 2,643	\$ 310	\$ 1,415
Accounts receivable- related parties	486	2,175	144	658
	\$ 1,077	\$ 4,818	\$ 454	\$ 2,073

- A. The Group does not hold any collateral as security and has no accounts receivable pledged to others.
- B. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was CNY \$1,077 (TWD \$4,818) and CNY \$454 (TWD \$2,073), respectively.
- C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2018					
	Cost		Allowance for inventory valuation losses		Book value	
	CNY	TWD	CNY	TWD	CNY	TWD
Finished goods	\$ 63,727	\$ 284,987	(\$ 3,426)	(\$ 15,321)	\$ 60,301	\$ 269,666
Work in progress	14,026	62,724	(1,124)	(5,027)	12,902	57,697
Raw materials	36,228	162,012	(1,850)	(8,273)	34,378	153,739
	<u>\$ 113,981</u>	<u>\$ 509,723</u>	<u>(\$ 6,400)</u>	<u>(\$ 28,621)</u>	<u>\$ 107,581</u>	<u>\$ 481,102</u>

	December 31, 2017					
	Cost		Allowance for inventory valuation losses		Book value	
	CNY	TWD	CNY	TWD	CNY	TWD
Finished goods	\$ 58,958	\$ 269,143	(\$ 3,793)	(\$ 17,315)	\$ 55,165	\$ 251,828
Work in progress	9,535	43,527	(248)	(1,132)	9,287	42,395
Raw materials	42,473	193,889	(8,267)	(37,738)	34,206	156,151
	<u>\$ 110,966</u>	<u>\$ 506,559</u>	<u>(\$ 12,308)</u>	<u>(\$ 56,185)</u>	<u>\$ 98,658</u>	<u>\$ 450,374</u>

A. For the years ended December 31, 2018 and 2017, the cost of inventories recognised as expenses are as follows:

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Cost of goods sold	\$ 169,146	\$ 770,764	\$ 125,766	\$ 566,739
Loss on decline in market value	6,363	28,995	12,724	57,337
	<u>\$ 175,509</u>	<u>\$ 799,759</u>	<u>\$ 138,490</u>	<u>\$ 624,076</u>

B. The Group has no inventories pledged to others.

(5) Investments accounted for using equity method

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Associates	<u>\$ 5,119</u>	<u>\$ 22,892</u>	<u>\$ 6,006</u>	<u>\$ 27,417</u>

A. Associates using equity method are all individually immaterial and the Group's share of the operating results are summarised below:

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Loss for the year	(\$ 887)	(\$ 4,042)	(\$ 194)	(\$ 874)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	<u>(\$ 887)</u>	<u>(\$ 4,042)</u>	<u>(\$ 194)</u>	<u>(\$ 874)</u>

B. The Group has no investments accounted for using equity method pledged to others.

C. On March 15, 2017, the Group entered into a contract with non-related party, Sinoexcelsior Investment Incorporation, to sell all the equity interest in associate, Beijing Yujiachengyue Investment & Management Limited, for a total consideration of CNY \$37,300 (TWD \$164,380).

(6) Property, plant and equipment

(In thousands of CNY)

	<u>Land</u>	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Machinery equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1, 2018</u>							
Cost	\$ 23,150	\$ 212,840	\$ 4,815	\$ 13,426	\$ 70,585	\$ 4,129	\$ 328,945
Accumulated depreciation and impairment	-	(42,474)	(3,690)	(5,619)	(45,587)	-	(97,370)
	<u>\$ 23,150</u>	<u>\$ 170,366</u>	<u>\$ 1,125</u>	<u>\$ 7,807</u>	<u>\$ 24,998</u>	<u>\$ 4,129</u>	<u>\$ 231,575</u>
<u>2018</u>							
Balance at January 1	\$ 23,150	\$ 170,366	\$ 1,125	\$ 7,807	\$ 24,998	\$ 4,129	\$ 231,575
Additions	-	101,073	747	1,144	12,413	7,113	122,490
Disposals	-	(70)	-	(15)	(107)	-	(192)
Reclassifications	-	(12,566)	-	14	(3,678)	(7,113)	(23,343)
Depreciation charge	-	(11,296)	(541)	(1,149)	(8,693)	-	(21,679)
Impairment loss	-	(3,988)	-	-	-	-	(3,988)
Net exchange differences	485	-	12	-	85	(533)	49
Balance at December 31	<u>\$ 23,635</u>	<u>\$ 243,519</u>	<u>\$ 1,343</u>	<u>\$ 7,801</u>	<u>\$ 25,018</u>	<u>\$ 3,596</u>	<u>\$ 304,912</u>
<u>At December 31, 2018</u>							
Cost	\$ 23,635	\$ 300,573	\$ 5,577	\$ 14,498	\$ 69,853	\$ 3,596	\$ 417,732
Accumulated depreciation and impairment	-	(57,054)	(4,234)	(6,697)	(44,835)	-	(112,820)
	<u>\$ 23,635</u>	<u>\$ 243,519</u>	<u>\$ 1,343</u>	<u>\$ 7,801</u>	<u>\$ 25,018</u>	<u>\$ 3,596</u>	<u>\$ 304,912</u>

(In thousands of CNY)

	<u>Land</u>	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Machinery equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1, 2017</u>							
Cost	\$ 22,893	\$ 183,727	\$ 4,815	\$ 13,134	\$ 64,720	\$ 3,154	\$ 292,443
Accumulated depreciation and impairment	-	(33,802)	(3,128)	(4,496)	(39,774)	-	(81,200)
	<u>\$ 22,893</u>	<u>\$ 149,925</u>	<u>\$ 1,687</u>	<u>\$ 8,638</u>	<u>\$ 24,946</u>	<u>\$ 3,154</u>	<u>\$ 211,243</u>
<u>2017</u>							
Balance at January 1	\$ 22,893	\$ 149,925	\$ 1,687	\$ 8,638	\$ 24,946	\$ 3,154	\$ 211,243
Additions	-	-	-	174	7,960	7,652	15,786
Disposals	-	-	-	(35)	(4,979)	-	(5,014)
Reclassifications	-	29,113	-	166	5,766	(6,658)	28,387
Depreciation charge	-	(8,672)	(562)	(1,136)	(8,816)	-	(19,186)
Net exchange differences	257	-	-	-	121	(19)	359
Balance at December 31	<u>\$ 23,150</u>	<u>\$ 170,366</u>	<u>\$ 1,125</u>	<u>\$ 7,807</u>	<u>\$ 24,998</u>	<u>\$ 4,129</u>	<u>\$ 231,575</u>
<u>At December 31, 2017</u>							
Cost	\$ 23,150	\$ 212,840	\$ 4,815	\$ 13,426	\$ 70,585	\$ 4,129	\$ 328,945
Accumulated depreciation and impairment	-	(42,474)	(3,690)	(5,619)	(45,587)	-	(97,370)
	<u>\$ 23,150</u>	<u>\$ 170,366</u>	<u>\$ 1,125</u>	<u>\$ 7,807</u>	<u>\$ 24,998</u>	<u>\$ 4,129</u>	<u>\$ 231,575</u>

(In thousands of TWD)

	Land	Buildings and structures	Transportation equipment	Machinery equipment	Office and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2018</u>							
Cost	\$ 105,680	\$ 971,615	\$ 21,980	\$ 61,290	\$ 322,221	\$ 18,849	\$ 1,501,635
Accumulated depreciation and impairment	-	(193,895)	(16,845)	(25,650)	(208,105)	-	(444,495)
	<u>\$ 105,680</u>	<u>\$ 777,720</u>	<u>\$ 5,135</u>	<u>\$ 35,640</u>	<u>\$ 114,116</u>	<u>\$ 18,849</u>	<u>\$ 1,057,140</u>
<u>2018</u>							
Balance at January 1	\$ 105,680	\$ 777,720	\$ 5,135	\$ 35,640	\$ 114,116	\$ 18,849	\$ 1,057,140
Additions	-	460,569	3,404	5,213	56,564	32,413	558,163
Disposals	-	(319)	-	(68)	(488)	-	(875)
Reclassifications	-	(57,261)	-	64	(16,760)	(32,413)	(106,370)
Depreciation charge	-	(51,474)	(2,465)	(5,236)	(39,612)	-	(98,787)
Impairment loss	-	(18,173)	-	-	-	-	(18,173)
Net exchange differences	16	(22,045)	(68)	(727)	(1,940)	(2,768)	(27,532)
Balance at December 31	<u>\$ 105,696</u>	<u>\$ 1,089,017</u>	<u>\$ 6,006</u>	<u>\$ 34,886</u>	<u>\$ 111,880</u>	<u>\$ 16,081</u>	<u>\$ 1,363,566</u>
<u>At December 31, 2018</u>							
Cost	\$ 105,696	\$ 1,344,162	\$ 24,940	\$ 64,835	\$ 312,383	\$ 16,081	\$ 1,868,097
Accumulated depreciation and impairment	-	(255,145)	(18,934)	(29,949)	(200,503)	-	(504,531)
	<u>\$ 105,696</u>	<u>\$ 1,089,017</u>	<u>\$ 6,006</u>	<u>\$ 34,886</u>	<u>\$ 111,880</u>	<u>\$ 16,081</u>	<u>\$ 1,363,566</u>

(In thousands of TWD)

	Land	Buildings and structures	Transportation equipment	Machinery equipment	Office and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2017</u>							
Cost	\$ 105,696	\$ 848,268	\$ 22,231	\$ 60,640	\$ 298,813	\$ 14,562	\$ 1,350,210
Accumulated depreciation and impairment	-	(156,064)	(14,442)	(20,758)	(183,637)	-	(374,901)
	<u>\$ 105,696</u>	<u>\$ 692,204</u>	<u>\$ 7,789</u>	<u>\$ 39,882</u>	<u>\$ 115,176</u>	<u>\$ 14,562</u>	<u>\$ 975,309</u>
<u>2017</u>							
Balance at January 1	\$ 105,696	\$ 692,204	\$ 7,789	\$ 39,882	\$ 115,176	\$ 14,562	\$ 975,309
Additions	-	-	-	784	35,870	34,482	71,136
Disposals	-	-	-	(158)	(22,437)	-	(22,595)
Reclassifications	-	131,192	-	748	25,983	(30,003)	127,920
Depreciation charge	-	(39,079)	(2,533)	(5,119)	(39,727)	-	(86,458)
Net exchange differences	(16)	(6,597)	(121)	(497)	(749)	(192)	(8,172)
Balance at December 31	<u>\$ 105,680</u>	<u>\$ 777,720</u>	<u>\$ 5,135</u>	<u>\$ 35,640</u>	<u>\$ 114,116</u>	<u>\$ 18,849</u>	<u>\$ 1,057,140</u>
<u>At December 31, 2017</u>							
Cost	\$ 105,680	\$ 971,615	\$ 21,980	\$ 61,290	\$ 322,221	\$ 18,849	\$ 1,501,635
Accumulated depreciation and impairment	-	(193,895)	(16,845)	(25,650)	(208,105)	-	(444,495)
	<u>\$ 105,680</u>	<u>\$ 777,720</u>	<u>\$ 5,135</u>	<u>\$ 35,640</u>	<u>\$ 114,116</u>	<u>\$ 18,849</u>	<u>\$ 1,057,140</u>

- A. The Group has entered into an agreement with non-related party to buy a building in Sichuan, China, on March 17, 2016. The contract amount was CNY \$27,431 (TWD \$136,387), of which the Group has paid the related amount of CNY \$28,387 (TWD \$127,920). The ownership of property was transferred in October 2017. The property was reclassified from other non-current assets into property, plant and equipment thereafter.
- B. On June 29, 2018, the Group entered into an agreement with the related party, Zhaocang (Shunghai) Trading Co., Ltd., to acquire the building and parking space located at Huaihai West Road, Changning District, Shanghai City. The total contract amount (including VAT) was CNY \$107,856 (TWD \$491,478) and the Group has paid the related amount (including VAT) of CNY \$110,878 (TWD \$505,249). In August 2018, the transfer of ownership was completed and the property was reclassified under property, plant and equipment from other non-current assets.
- C. The Group recognised impairment loss amounting to CNY \$3,988 (NTD \$18,173) for the year ended December 31, 2018, as previous decoration asset has no economic benefit as the usage purpose of the buildings and structures has changed.

(7) Intangible assets

	2018							
	Goodwill		Licences		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
At January 1								
Cost	\$ 1,684	\$ 7,687	\$ 6,060	\$ 27,664	\$ 14,213	\$ 64,882	\$ 21,957	\$ 100,233
Accumulated amortisation and impairment	-	-	(303)	(1,383)	(8,760)	(39,989)	(9,063)	(41,372)
	<u>\$ 1,684</u>	<u>\$ 7,687</u>	<u>\$ 5,757</u>	<u>\$ 26,281</u>	<u>\$ 5,453</u>	<u>\$ 24,893</u>	<u>\$ 12,894</u>	<u>\$ 58,861</u>
Balance at January 1	\$ 1,684	\$ 7,687	\$ 5,757	\$ 26,281	\$ 5,453	\$ 24,893	\$ 12,894	\$ 58,861
Reclassifications	-	-	-	-	9,088	41,412	9,088	41,412
Additions-acquired separately	-	-	-	-	232	1,057	232	1,057
Amortisation charge	-	-	(404)	(1,841)	(4,839)	(22,050)	(5,243)	(23,891)
Net exchange differences	-	(156)	-	(501)	30	(754)	30	(1,411)
Balance at December 31	<u>\$ 1,684</u>	<u>\$ 7,531</u>	<u>\$ 5,353</u>	<u>\$ 23,939</u>	<u>\$ 9,964</u>	<u>\$ 44,558</u>	<u>\$ 17,001</u>	<u>\$ 76,028</u>
At December 31								
Cost	\$ 1,684	\$ 7,531	\$ 6,060	\$ 27,100	\$ 30,806	\$ 137,764	\$ 38,550	\$ 172,395
Accumulated amortisation and impairment	-	-	(707)	(3,161)	(20,842)	(93,206)	(21,549)	(96,367)
	<u>\$ 1,684</u>	<u>\$ 7,531</u>	<u>\$ 5,353</u>	<u>\$ 23,939</u>	<u>\$ 9,964</u>	<u>\$ 44,558</u>	<u>\$ 17,001</u>	<u>\$ 76,028</u>

	2017							
	Goodwill		Licences		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
At January 1								
Cost	\$ -	\$ -	\$ -	\$ -	\$ 14,209	\$ 65,607	\$ 14,209	\$ 65,607
Accumulated amortisation and impairment	-	-	-	-	(5,754)	(26,570)	(5,754)	(26,570)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,455</u>	<u>\$ 39,037</u>	<u>\$ 8,455</u>	<u>\$ 39,037</u>
Balance at January 1	\$ -	\$ -	\$ -	\$ -	\$ 8,455	\$ 39,037	\$ 8,455	\$ 39,037
Additions-acquired separately	-	-	-	-	5	23	5	23
Additions-acquired through business combinations	1,684	7,554	6,060	27,185	-	-	7,744	34,739
Amortisation charge	-	-	(303)	(1,365)	(3,044)	(13,717)	(3,347)	(15,082)
Net exchange differences	-	133	-	461	37	(450)	37	144
Balance at December 31	<u>\$ 1,684</u>	<u>\$ 7,687</u>	<u>\$ 5,757</u>	<u>\$ 26,281</u>	<u>\$ 5,453</u>	<u>\$ 24,893</u>	<u>\$ 12,894</u>	<u>\$ 58,861</u>
At December 31								
Cost	\$ 1,684	\$ 7,687	\$ 6,060	\$ 27,664	\$ 14,213	\$ 64,882	\$ 21,957	\$ 100,233
Accumulated amortisation and impairment	-	-	(303)	(1,383)	(8,760)	(39,989)	(9,063)	(41,372)
	<u>\$ 1,684</u>	<u>\$ 7,687</u>	<u>\$ 5,757</u>	<u>\$ 26,281</u>	<u>\$ 5,453</u>	<u>\$ 24,893</u>	<u>\$ 12,894</u>	<u>\$ 58,861</u>

A. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management.

B. Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risk relating to the relevant operating segments.

(8) Short-term loans

Type of borrowings	December 31, 2018		Interest rate range	Collateral
	CNY	TWD		
Bank borrowings				
Unsecured borrowings	<u>\$ 231,386</u>	<u>\$ 1,034,758</u>	1.97%~3.31%	-
Type of borrowings	December 31, 2017		Interest rate range	Collateral
	CNY	TWD		
Bank borrowings				
Secured borrowings	\$ 110,830	\$ 505,939	2.27%	Time Deposits
Unsecured borrowings	<u>45,630</u>	<u>208,301</u>	1.97%	-
	<u>\$ 156,460</u>	<u>\$ 714,240</u>		

- A. The Group recognised interest expense in profit or loss for the years ended December 31, 2018 and 2017, from long-term and short-term borrowings, amounting to CNY \$6,393 (TWD \$29,133) and CNY \$443 (TWD \$ 1,996), respectively.
- B. The bank borrowings agreement indicates that the consolidated financial statements of the Group need to meet the criteria as agreed. During the period of the borrowings, the agreed criteria need to be reviewed and maintained quarterly and semiannually and the bank will audit the criteria at any time when necessary. As of December 31, 2018 and 2017, the Group has not violated the borrowings agreement.
- C. Please refer to Note 8 for information on pledged assets.

(9) Financial liabilities at fair value through profit or loss

As of December 31, 2018 and 2017: None.

- A. The Group recognised net gain of CNY \$6,512 (TWD \$29,674) and net loss of CNY \$230 (TWD \$1,036) on financial liabilities held for trading for the years ended December 31, 2018 and 2017, respectively.
- B. Please refer to Note 6(11) for details of derivative financial instruments - corporate bonds (put option and call option).

(10) Other payables

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Wages and salaries payable	\$ 21,940	\$ 98,116	\$ 20,563	\$ 93,870
Tax payable	14,749	65,958	11,849	54,091
Others	88,401	395,328	63,603	290,348
	<u>\$ 125,090</u>	<u>\$ 559,402</u>	<u>\$ 96,015</u>	<u>\$ 438,309</u>

(11) Bonds payable

As of December 31, 2018: None.

	December 31, 2017	
	CNY	TWD
Bonds payable	\$ 380	\$ 1,900
Less: Discount on bonds payable	(8)	(35)
Net exchange differences	37	-
	<u>409</u>	<u>1,865</u>
Less: Corporate bonds payable current portion	(409)	(1,865)
	<u>\$ -</u>	<u>\$ -</u>

- A. The terms of the first domestic unsecured convertible bonds issued by the Company in November 2015 are as follows:
- (a) The Group issued \$900,000, 0% first domestic unsecured convertible bonds. The bonds mature three years from the issue date (November 13, 2015~ November 13, 2018) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2015.

- (b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue (December 14, 2015) to 10 days before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, the conversion price is TWD \$288 (in dollars) per share as issuance, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price amounted to TWD \$250.9 (in dollars) per share after the dividends and rights distribution have been adjusted on July 12, 2018.
- (d) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time if the closing price of the Company's common shares is above the then conversion price by 30% (including 30%) for 30 consecutive trading days during the period from the date after one month of the bonds issue (December 14, 2015) to 40 days before the maturity date, the Company will send a 'Notice of Withdrawal' by registered mail to creditor (the effective date is based on the final date of the period starting from the mail date) who holds the convertible bonds, bulletin and send a letter to the Taipei Exchange.

The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time if the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one month of the bonds issue (December 14, 2015) to 40 days before the maturity date, the Company will send a 'Notice of Withdrawal' by registered mail to creditor (the effective date is based on the final date of the period starting from the mail date) who holds the convertible bonds, bulletin and send a letter to the Taipei Exchange.

- (e) The Company set the date after two years of the issuance (November 13, 2017) as the effective date, at the 40 days before the effective date, the Company shall send a 'Notice of put option' by registered mail to creditors, and send a letter to the Taipei Exchange to bulletin the put option is exercisable. The creditors could inform the Company's agency in document form to demand that the Company repurchase bonds at face value and interest premium (2.52% of the face value after over two years) in 30 days before the effective date.
 - (f) Under the terms of the bonds, all bonds redeemed, matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to CNY \$7,258 (TWD \$37,021) were separated from the liability component and were recognised in 'capital surplus-share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 2.013%.
- C. Since the bondholders are entitled to request the Company to redeem the bonds at the agreed price two years after the bond issuance (November 13, 2017), the Company booked all convertible bonds as current liability. However, it does not imply that such current liability shall be fully redeemed within the year. As of December 31, 2018, the Company has redeemed bonds of CNY \$179,800 (TWD \$898,100) at face value upon bondholders' request.

D. The convertible bonds matured on November 13, 2018 and accordingly, were delisted from on the Taipei Exchange. The Group fully redeemed the remaining bonds at face value.

(12) Pensions

A. (a) Taiwan branches have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. For employees eligible under Labor Standards Law, pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.

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

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Present value of defined benefit obligations	\$ 1,061	\$ 4,745	\$ 922	\$ 4,210
Fair value of plan assets	-	-	-	-
Net defined benefit liability	<u>\$ 1,061</u>	<u>\$ 4,745</u>	<u>\$ 922</u>	<u>\$ 4,210</u>

(c) Changes in net defined benefit liability are as follows:

	(In thousands of CNY)		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 922	\$ -	\$ 922
Current service cost	15	-	15
	<u>937</u>	<u>-</u>	<u>937</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	37	-	37
Experience adjustments	66	-	66
	<u>103</u>	<u>-</u>	<u>103</u>
Pension fund contribution	-	-	-
Paid pension	-	-	-
Exchange difference	21	-	21
Balance at December 31	<u>\$ 1,061</u>	<u>\$ -</u>	<u>\$ 1,061</u>

(In thousands of CNY)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 932	\$ -	\$ 932
Current service cost	13	-	13
	<u>945</u>	<u>-</u>	<u>945</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	(37)	-	(37)
Experience adjustments	3	-	3
	<u>(34)</u>	<u>-</u>	<u>(34)</u>
Pension fund contribution	-	-	-
Paid pension	-	-	-
Exchange difference	11	-	11
Balance at December 31	<u>\$ 922</u>	<u>\$ -</u>	<u>\$ 922</u>

(In thousands of TWD)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 4,210	\$ -	\$ 4,210
Current service cost	68	-	68
	<u>4,278</u>	<u>-</u>	<u>4,278</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	170	-	170
Experience adjustments	297	-	297
	<u>467</u>	<u>-</u>	<u>467</u>
Pension fund contribution	-	-	-
Paid pension	-	-	-
Balance at December 31	<u>\$ 4,745</u>	<u>\$ -</u>	<u>\$ 4,745</u>

(In thousands of TWD)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 4,303	\$ -	\$ 4,303
Current service cost	59	-	59
	<u>4,362</u>	<u>-</u>	<u>4,362</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	(166)	-	(166)
Experience adjustments	14	-	14
	<u>(152)</u>	<u>-</u>	<u>(152)</u>
Pension fund contribution	-	-	-
Paid pension	-	-	-
Balance at December 31	<u>\$ 4,210</u>	<u>\$ -</u>	<u>\$ 4,210</u>

(d) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	<u>1.375%</u>	<u>1.625%</u>
Future salary increases	<u>3.000%</u>	<u>3.000%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

(In thousands of CNY)

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2018</u>				
Impact on present value of defined benefit	(\$ 38)	\$ 39	\$ 38	(\$ 37)
<u>December 31, 2017</u>				
Impact on present value of defined benefit	(\$ 35)	\$ 36	\$ 35	(\$ 34)

	(In thousands of TWD)			
	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2018</u>				
Impact on present value of defined benefit	(\$ 170)	\$ 177	\$ 171	(\$ 165)
<u>December 31, 2017</u>				
Impact on present value of defined benefit	(\$ 159)	\$ 166	\$ 161	(\$ 155)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net defined benefit liabilities in the balance sheet are the same.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (e) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2019 amount to \$0.
- (f) As of December 31, 2018, the weighted average duration of that retirement plan is 15.74~19.65 years.
- B. (a) Effective July 1, 2005, Taiwan branches established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan branches contribute monthly an amount based on not less than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The subsidiaries in Mainland China have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. The details of defined contribution plans are as follows:

Administration	Beneficiary	Pension appropriation
Each municipal government in Mainland China	Employees of all subsidiaries in Mainland China	20%

- (c) The subsidiary-Hong Kong Chlitina established a compulsory pension program, which allocates a fixed amount of money for pension benefit, and is managed by an independent trustee based on Hong Kong Employee Act. In addition, according to the regulations of that program, both employer and employee have to contribute 5% of the employees’ salary, respectively. From June 2014, the maximum relevant salary per month increased from HKD \$25,000 to HKD \$30,000. Other than the monthly contributions, the Group has no further obligations.

- (d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were CNY \$11,732 (TWD \$53,461) and CNY \$10,586 (TWD \$47,704), respectively.

(13) Share-based payment

A. The Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (thousands)</u>	<u>Vesting conditions</u>
Treasury stock transferred to employees	March 9, 2018	797	Vested immediately

The abovementioned share-based payment arrangements is settled by equity.

B. The fair value of stock options granted on March 9, 2018 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected price volatility</u>	<u>Expected option life (years)</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit (in dollars)</u>
Treasury stock transferred to employees	March 9, 2018	\$ 154	\$ 146.25	51.61%~ 70.08%	0.0667~ 0.3056	0.00%	0.60%~ 0.63%	\$15.17~ \$21.32

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

C. Expenses incurred on share-based payment transactions are shown below:

	<u>Year ended December 31, 2018</u>	
	<u>CNY</u>	<u>TWD</u>
Equity-settled	<u>\$ 3,177</u>	<u>\$ 14,686</u>

(14) Share capital

A. As of December 31, 2018, the Company's authorized capital was TWD \$2,000,000, and the paid-in capital was CNY \$161,772 (TWD \$794,924), consisting of 79,492 thousand shares of ordinary stock, with a par value of TWD \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (thousand shares) outstanding are as follows:

	<u>2018</u>	<u>2017</u>
At January 1	78,695	79,192
Purchase of treasury shares	-	(497)
Treasury shares sold to employees	797	-
At December 31	<u>79,492</u>	<u>78,695</u>

C. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

As of December 31, 2018: None.

Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	December 31, 2017	
			CNY	TWD
The Company	To be reissued to employees	797	\$ 26,449	\$ 116,563

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(15) Capital surplus

A summary of the Company's capital surplus are as follows:

	2018									
	Share premium		Employee stock options		Stock options		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
At January 1	\$ 289,153	\$ 1,407,306	\$ 809	\$ 3,924	\$ 15	\$ 78	\$ 4,231	\$ 45,176	\$ 294,208	\$ 1,456,484
Cash dividends from capital surplus	(25,593)	(119,238)	-	-	-	-	-	-	(25,593)	(119,238)
Share-based compensation payment	-	-	3,177	14,686	-	-	-	-	3,177	14,686
Treasury shares sold to employees	-	-	(3,177)	(14,686)	-	-	3,177	14,686	-	-
At December 31	<u>\$ 263,560</u>	<u>\$ 1,288,068</u>	<u>\$ 809</u>	<u>\$ 3,924</u>	<u>\$ 15</u>	<u>\$ 78</u>	<u>\$ 7,408</u>	<u>\$ 59,862</u>	<u>\$ 271,792</u>	<u>\$ 1,351,932</u>

	2017									
	Share premium		Employee stock options		Stock options		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
At January 1	\$ 289,153	\$ 1,407,306	\$ 809	\$ 3,924	\$ 7,258	\$ 37,021	(\$ 3,012)	\$ 8,233	\$ 294,208	\$ 1,456,484
Void options	-	-	-	-	(7,243)	(36,943)	7,243	36,943	-	-
At December 31	<u>\$ 289,153</u>	<u>\$ 1,407,306</u>	<u>\$ 809</u>	<u>\$ 3,924</u>	<u>\$ 15</u>	<u>\$ 78</u>	<u>\$ 4,231</u>	<u>\$ 45,176</u>	<u>\$ 294,208</u>	<u>\$ 1,456,484</u>

(16) Retained earnings

- A. The Company's Articles of Incorporation require that the Company's net earnings from the current year shall be used to offset prior years' deficit, pay income tax, provide 10% as legal reserve, provide or reverse a special reserve in accordance with applicable laws. After the abovementioned appropriations, the distribution of the remaining earnings, if any, should be proposed by the Board of Directors and is subject to the stockholders' approval.

- B. The Company's business cycle is in the constant growth stage. In consideration of the Company's future capital requirements, its long-term financial plan and shareholders' satisfaction as to cash inflow, the Company's Articles of Incorporation stipulate that the Board of Directors may propose 10% or more of the distributable earnings as dividends, of which at least 10% should be distributed as cash dividends. However, such distribution depends on the current earnings and the capital condition, and is subject to the approval of stockholders.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of earnings for 2017 and 2016 as resolved by the shareholders at their meetings on June 5, 2018 and June 28, 2017, respectively, are as follows:

	2017			2016		
	CNY	TWD	Dividends	CNY	TWD	Dividends
			per share (New Taiwan dollars)			per share (New Taiwan dollars)
Special reserve	\$ 55,390	\$ 258,063	\$ -	\$ -	\$ -	\$ -
Legal reserve	12,513	58,296	-	16,341	73,079	-
Cash dividends	110,903	516,700	6.50	114,383	511,520	6.50
	<u>\$ 178,806</u>	<u>\$ 833,059</u>	<u>\$ 6.50</u>	<u>\$ 130,724</u>	<u>\$ 584,599</u>	<u>\$ 6.50</u>

In the distribution of earnings for 2017, cash dividends was distributed at TWD \$6.5658 (in dollars) per share based on the outstanding shares of 78,695,350 shares as of March 8, 2018. If the cash dividend was distributed based on the total issued shares of 79,492,350 shares, the cash dividends will be distributed at TWD \$6.50 (in dollars) per share.

- E. On June 5, 2018, the shareholders during their meeting approved to distribute cash dividends from capital surplus-additional paid-in capital amounting to CNY \$25,593 (TWD \$119,238). Cash dividends was distributed at TWD \$1.5152 per share based on the outstanding shares of 78,695,350 shares as of March 8, 2018. If the cash dividend was distributed based on the total issued shares of 79,492,350 shares, the cash dividends will be distributed at TWD \$1.50 (in dollars) per share.
- F. The earnings appropriations of 2018 had been proposed by the Board of Directors on March 12, 2019. Details are summarised below:

	2018		
	CNY (Note)	TWD	Dividends per share (New Taiwan dollars)
Legal reserve	\$ 18,331	\$ 81,977	\$ -
Special reserve	27,256	121,888	-
Cash dividends	213,307	953,908	12.00
	<u>\$ 258,894</u>	<u>\$ 1,157,773</u>	<u>\$ 12.00</u>

Note: The retained earnings appropriation in relevant amount of CNY for 2018 were presented at spot exchange rates prevailing at the end of the annual reporting period.

The abovementioned 2018 earnings appropriation has not yet been approved by the stockholders.

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

(17) Operating revenue

	Year ended December 31, 2018	
	CNY	TWD
Revenue from contracts with customers	\$ 1,004,765	\$ 4,578,513

A. Disaggregation of revenue from contracts with customers

The Group's revenue is disaggregated in the following major product lines:

	Year ended December 31, 2018	
	CNY	TWD
Net sale of goods	\$ 960,018	\$ 4,374,610
Special affiliate income	36,701	167,239
OEM income	808	3,682
Skincare service from company-operated salon and other income	7,238	32,982
	\$ 1,004,765	\$ 4,578,513

The Group derives revenue from the transfer of goods at a point in time.

B. Contract liabilities

(a) The Group has recognized the following revenue-related contract liabilities:

	December 31, 2018	
	CNY	TWD
Contract liabilities-advance sales receipts from customers	\$ 46,791	\$ 209,249

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year

	Year ended December 31, 2018	
	CNY	TWD
Contract liabilities-advance sales receipts from customers at the beginning of the year	\$ 72,239	\$ 329,179

C. Related disclosures on operating revenue for the year ended December 31, 2017 are provided in Note 12(5) B.

(18) Other income

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Interest income				
Interest income from bank deposits	\$ 4,085	\$ 18,615	\$ 2,918	\$ 13,149
Interest income from financial assets at amortised cost	1,007	4,589	-	-
Other interest income	7,096	32,335	8,445	38,056
Government grants revenue	16,821	76,650	5,650	25,461
Others	2,744	12,503	1,583	7,133
	<u>\$ 31,753</u>	<u>\$ 144,692</u>	<u>\$ 18,596</u>	<u>\$ 83,799</u>

(19) Other gains and losses

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Losses on disposal of property, plant and equipment	(\$ 122)	(\$ 556)	(\$ 1,102)	(\$ 4,966)
Losses on disposal of investments	-	-	(1,262)	(5,708)
Foreign exchange losses	(3,866)	(17,617)	(5,847)	(26,348)
Losses on redemption of corporate bonds	-	-	(1,607)	(7,242)
Net gains (losses) on financial assets and financial liabilities at fair value through profit or loss	6,512	29,674	(230)	(1,036)
Impairment losses on property, plant and equipment	(3,988)	(18,173)	-	-
Other gains (losses)	234	1,067	(548)	(2,449)
	<u>(\$ 1,230)</u>	<u>(\$ 5,605)</u>	<u>(\$ 10,596)</u>	<u>(\$ 47,749)</u>

(20) Finance cost

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Interest expense-Convertible bonds	\$ 8	\$ 35	\$ 3,391	\$ 15,281
Interest expense-Bank borrowings	6,393	29,133	443	1,996
	<u>\$ 6,401</u>	<u>\$ 29,168</u>	<u>\$ 3,834</u>	<u>\$ 17,277</u>

(21) Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2018					
	Operating costs		Operating expenses		Total	
	CNY	TWD	CNY	TWD	CNY	TWD
Employee benefit expense						
Wages and salaries	\$ 6,032	\$ 27,487	\$ 107,650	\$ 490,540	\$ 113,682	\$ 518,027
Labour and health insurance fees	376	1,713	7,085	32,285	7,461	33,998
Pension costs	644	2,935	11,103	50,594	11,747	53,529
Other employee benefit expense	353	1,609	9,336	42,542	9,689	44,151
Depreciation	1,200	5,468	20,479	93,319	21,679	98,787
Amortisation	227	1,034	5,016	22,857	5,243	23,891

	Year ended December 31, 2017					
	Operating costs		Operating expenses		Total	
	CNY	TWD	CNY	TWD	CNY	TWD
Employee benefit expense						
Wages and salaries	\$ 3,845	\$ 17,327	\$ 93,804	\$ 422,709	\$ 97,649	\$ 440,036
Labour and health insurance fees	382	1,721	6,427	28,962	6,809	30,683
Pension costs	634	2,857	9,965	44,906	10,599	47,763
Other employee benefit expense	353	1,591	9,465	42,652	9,818	44,243
Depreciation	1,303	5,871	17,883	80,587	19,186	86,458
Amortisation	226	1,017	3,121	14,065	3,347	15,082

- A. In accordance with the Company's Articles of Incorporation, the Company should distribute 1%~5% of the profit as employees' compensation and less than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficit, the profit should be reserved to offset the deficit. Employees entitled to receive the above mentioned employees' compensation, in shares or cash, includes the employees of the subsidiaries of the Company who meet certain specific requirements.
- B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at CNY \$5,589 (TWD \$25,468) and CNY \$2,798 (TWD \$12,608), respectively; directors' remuneration was accrued at CNY \$2,794 (TWD \$12,732) and CNY \$1,399 (TWD \$6,304), respectively. Those were estimated based on the net income before tax deducted employees' compensation and directors' remuneration and then multiply the distribution ratio as regulated in the Company's Articles of Incorporation, and recognised as salary expenses.

The employees' compensation and directors' remuneration for 2017 as approved by the Board of Directors on April 20, 2018 amounted to CNY \$2,798 (TWD \$12,608) and CNY \$1,399 (TWD \$6,304), respectively, which were in agreement with the amounts recognised in the financial statements for the year ended December 31, 2017. Aforementioned employees' compensation will be distributed in cash.

C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Current tax:				
Current tax on profits for the year	\$ 92,636	\$ 422,129	\$ 59,868	\$ 269,783
Prior year income tax underestimation	833	3,796	846	3,812
Total current tax	93,469	425,925	60,714	273,595
Deferred tax:				
Origination and reversal of temporary differences	5,392	24,570	(7,844)	(35,347)
Impact of change in tax rate	(181)	(830)	-	-
Total deferred tax	5,211	23,740	(7,844)	(35,347)
Income tax expense	<u>\$ 98,680</u>	<u>\$ 449,665</u>	<u>\$ 52,870</u>	<u>\$ 238,248</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 94,708	\$ 431,570	\$ 49,504	\$ 223,079
Effect from items disallowed by tax regulation	846	3,855	1,023	4,610
Effect from tax exempt income by tax regulation	(4,677)	(21,312)	(2,260)	(10,184)
Taxable loss not recognised as deferred tax assets	3,193	14,550	2,219	9,999
Change in assessment of realisation of deferred tax assets	833	3,796	(1,832)	(8,256)
Prior year income tax underestimation	-	-	846	3,812
Effect from changes in tax regulation	(181)	(830)	-	-
Withholding tax on distributable earnings of subsidiaries in China	3,900	17,772	3,586	16,161
Effect of loss deduction	58	264	(216)	(973)
Income tax expense	<u>\$ 98,680</u>	<u>\$ 449,665</u>	<u>\$ 52,870</u>	<u>\$ 238,248</u>

Note: The applicable tax rates are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

(In thousands of CNY)

	2018				
	January 1	Recognised in profit or loss	Translation differences	Business combination	December 31
Temporary differences					
Deferred tax assets:					
Unrealised expenses	\$ 1,591	(\$ 46)	\$ -	\$ -	\$ 1,545
Decline in value of inventories	3,845	(1,419)	10	-	2,436
Unrealised exchange loss	27	37	(56)	-	8
Loss carryforwards	2,900	16	73	-	2,989
	<u>8,363</u>	<u>(1,412)</u>	<u>27</u>	<u>-</u>	<u>6,978</u>
Deferred tax liabilities:					
Withholding tax of attributable earnings	-	(3,900)	(148)	-	(4,048)
Licences	(1,439)	101	-	-	(1,338)
	<u>(1,439)</u>	<u>(3,799)</u>	<u>(148)</u>	<u>-</u>	<u>(5,386)</u>
	<u>\$ 6,924</u>	<u>(\$ 5,211)</u>	<u>(\$ 121)</u>	<u>\$ -</u>	<u>\$ 1,592</u>

(In thousands of CNY)

	2017				
	January 1	Recognised in profit or loss	Translation difference	Business combination	December 31
Temporary differences					
Deferred tax assets:					
Unrealised expenses	\$ 1,730	(\$ 139)	\$ -	\$ -	\$ 1,591
Decline in value of inventories	1,976	1,872	(3)	-	3,845
Unrealised exchange loss	-	28	(1)	-	27
Loss carryforwards	391	2,542	(33)	-	2,900
	<u>4,097</u>	<u>4,303</u>	<u>(37)</u>	<u>-</u>	<u>8,363</u>
Deferred tax liabilities:					
Withholding tax of attributable earnings	(3,465)	3,465	-	-	-
Licences	-	76	-	(1,515)	(1,439)
	<u>(3,465)</u>	<u>3,541</u>	<u>-</u>	<u>(1,515)</u>	<u>(1,439)</u>
	<u>\$ 632</u>	<u>\$ 7,844</u>	<u>(\$ 37)</u>	<u>(\$ 1,515)</u>	<u>\$ 6,924</u>

(In thousands of TWD)

2018					
	January 1	Recognised in profit or loss	Translation difference	Business combination	December 31
Temporary differences					
Deferred tax assets:					
Unrealised expenses	\$ 7,263	(\$ 210)	(\$ 144)	\$ -	\$ 6,909
Decline in value of inventories	17,553	(6,467)	(192)	-	10,894
Unrealised exchange loss	123	169	(256)	-	36
Loss carryforwards	<u>13,238</u>	<u>80</u>	<u>49</u>	-	<u>13,367</u>
	<u>38,177</u>	<u>(6,428)</u>	<u>(543)</u>	-	<u>31,206</u>
Deferred tax liabilities:					
Withholding tax of attributable earnings	-	(17,772)	(331)	-	(18,103)
Licences	<u>(6,569)</u>	<u>460</u>	<u>126</u>	-	<u>(5,983)</u>
	<u>(6,569)</u>	<u>(17,312)</u>	<u>(205)</u>	-	<u>(24,086)</u>
	<u>\$ 31,608</u>	<u>(\$ 23,740)</u>	<u>(\$ 748)</u>	<u>\$ -</u>	<u>\$ 7,120</u>

(In thousands of TWD)

2017					
	January 1	Recognised in profit or loss	Translation difference	Business combination	December 31
Temporary differences					
Deferred tax assets:					
Unrealised expenses	\$ 7,987	(\$ 627)	(\$ 97)	\$ -	\$ 7,263
Decline in value of inventories	9,124	8,437	(8)	-	17,553
Unrealised exchange loss	-	126	(3)	-	123
Loss carryforwards	<u>1,805</u>	<u>11,455</u>	<u>(22)</u>	-	<u>13,238</u>
	<u>18,916</u>	<u>19,391</u>	<u>(130)</u>	-	<u>38,177</u>
Deferred tax liabilities:					
Withholding tax of attributable earnings	(15,998)	15,614	384	-	-
Licences	<u>-</u>	<u>342</u>	<u>(115)</u>	<u>(6,796)</u>	<u>(6,569)</u>
	<u>(15,998)</u>	<u>15,956</u>	<u>269</u>	<u>(6,796)</u>	<u>(6,569)</u>
	<u>\$ 2,918</u>	<u>\$ 35,347</u>	<u>\$ 139</u>	<u>(\$ 6,796)</u>	<u>\$ 31,608</u>

D. Details of the amount of unrecognised deferred tax assets are as follows:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Tax losses	\$ 71,263	\$ 326,806	\$ 57,619	\$ 265,790

Pursuant to local taxation laws, the loss carryforwards is indefinite for subsidiaries in Hong Kong whereas it expires in ten years for those in Taiwan and five years for those in China.

- E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2018 and 2017, the amounts of temporary differences unrecognised as deferred tax liabilities were CNY\$37,780 (TWD \$172,155) and CNY\$27,882 (TWD \$125,646), respectively. The amount was estimated based on expected realised tax rate of 5%.
- F. Chlitina Marketing Taiwan Branch's and Chlitina Intelligence Taiwan Branch's income tax returns through 2016 have been assessed and approved by the Tax Authority.
- G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the applicable income tax rate of the Group's branch in Taiwan was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	Year ended December 31, 2018				
	Amount after tax		Weighted average	Earnings per share	
	(In thousand of CNY)	(In thousand of TWD)	number of ordinary shares outstanding (shares in thousands)	(CNY dollars)	(TWD dollars)
<u>Basic earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 267,486	\$ 1,218,880	79,150	\$ 3.38	\$ 15.40
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 267,486	\$ 1,218,880	79,150		
Assumed conversion of all dilutive potential ordinary shares					
Change in interest expense of convertible bonds, net of tax	8	35	7		
Employees' compensation	-	-	117		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 267,494	\$ 1,218,915	79,274	\$ 3.37	\$ 15.38

Year ended December 31, 2017

	Amount after tax		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share	
	(In thousand of CNY)	(In thousand of TWD)		(CNY dollars)	(TWD dollars)
<u>Basic earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 129,366	\$ 582,962	78,722	\$ 1.64	\$ 7.41
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 129,366	\$ 582,962	78,722		
Assumed conversion of all dilutive potential ordinary shares					
Change in interest expense of convertible bonds, net of tax	3,391	15,281	3,029		
Employees' compensation	-	-	82		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 132,757	\$ 598,243	81,833	\$ 1.62	\$ 7.31

(24) Operating leases

The Group leases offices and plant under operating lease agreements. The lease terms are between 1 and 14 years. The Group recognised rental expenses of CNY \$28,587 (TWD \$130,265) and CNY \$30,977 (TWD \$139,592) for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Not later than one year	\$ 25,198	\$ 112,685	\$ 25,523	\$ 116,512
Later than one year but not later than five years	46,558	208,207	38,849	177,346
Over five years	22,468	100,477	2,313	10,559
	\$ 94,224	\$ 421,369	\$ 66,685	\$ 304,417

(25) Business combinations

- A. On April 19, 2017, the Group acquired 100% of the share capital of Beijing Aobaojia for CNY \$6,500 and obtained control of Beijing Aobaojia, a medical cosmetology clinic operating in Beijing. As a result of the acquisition, the Group is expected to increase its presence in these markets.
- B. The following table summarises the consideration paid for Beijing Aobaojia and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	April 19, 2017	
	CNY	TWD
Purchase consideration		
Cash paid	\$ 6,500	\$ 29,159
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	\$ 5	\$ 22
Other receivables	266	1,194
Licenses	6,060	27,185
Deferred tax liabilities	(1,515)	(6,796)
Total identifiable net assets	\$ 4,816	\$ 21,605
Goodwill	\$ 1,684	\$ 7,554

C. The operating revenue included in the consolidated statement of comprehensive income since April 19, 2017 contributed by Beijing Aobaojia was CNY \$0 (TWD \$0). Beijing Aobaojia also contributed loss before income tax of CNY \$2,352 (TWD \$10,598) over the same period. Had Beijing Aobaojia been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of CNY \$730,245 (TWD \$3,290,702) and profit before income tax of CNY \$182,236 (TWD \$821,210).

D. Beijing Aobaojia Medical Cosmetology Clinic Limited was renamed as Beijing YaPulide Medical Beauty Treatment Clinic Co., Ltd. on December 24, 2018.

(26) Supplemental cash flow information

Assets and liabilities relating to the control over subsidiaries acquired are as follows:

For the year ended December 31, 2018: None.

	Year ended December 31, 2017	
	CNY	TWD
Cash and cash equivalents	\$ 5	\$ 22
Other receivables	266	1,194
Licenses	6,060	27,185
Goodwill	1,684	7,554
Deferred income tax liabilities	(1,515)	(6,796)
	\$ 6,500	\$ 29,159
Price of subsidiary acquisition	6,500	29,159
Subsidiary cash balance	(5)	(22)
Not yet paid for the acquisition	(600)	(2,692)
Net cash inflow	\$ 5,895	\$ 26,445

(27) Changes in liabilities from financing activities

	Short-term loans	
	CNY	NTD
At January 1, 2018	\$ 156,460	\$ 714,240
Changes in cash flow from financing activities	66,369	302,429
Impact of changes in foreign exchange rate	8,557	18,089
At December 31, 2018	<u>\$ 231,386</u>	<u>\$ 1,034,758</u>

	Long-term debts	
	CNY	NTD
At January 1, 2018	\$ -	\$ -
Proceeds from long-term debt	50,000	227,840
Repayments of long-term debt	(50,000)	(227,840)
Impact of changes in foreign exchange rate	-	-
At December 31, 2018	<u>\$ -</u>	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Kelti International Trading Corp. (Kelti International)	Other related party
Kelti (China) Daily Product Co.,Ltd (Kelti China)	Other related party
Healthmate Biotech Co., Ltd. (Healthmate Biotech)	Other related party
Charming Biotech Corp., Ltd (Charming Biotech)	Other related party
Sagittarius Life Science Corp. (Sagittarius Life)	Other related party
Lee, Tsai & Partners Attorneys-at-Law (Lee, Tsai & Partners)	Other related party
Modern Pearl Holdings Limited (Modern Pearl)	Other related party
Jing Yung Gi Co., Ltd (Jing Yung Gi)	Other related party
Shanghai Guangqiao Biosciences Co., Ltd (Guangqiao Biosciences)	Other related party
Mc. Reese Co., Ltd. (Mc. Reese)	Other related party
Kelti International (HK) Limited Taiwan Branch (HK kelti International)	Other related party
Kelti International (HK) Limited (HK kelti)	Other related party
Hunzas Co., Ltd. (Hunzas)	Other related party
TI, LI-SHIH Health Corporation (TI, LI-SHIH)	Other related party
Full Blooming Investment Co., Ltd. (Full Blooming)	Other related party
Shanghai Zhe Mei Technology Training Co., Ltd. (Shanghai Zhe Mei)	Other related party
Harvest Era Co., Ltd (Harvest Era)	Other related party
Zhaocang (Shanghai) Trading Co., Ltd. (Zhaocang Trading)	Other related party
Shanghai Cheng Yang Trading Co., Ltd. (Cheng Yang)	Other related party
SHANGHAI ZHONGYE TRADE CO., LTD. (SHANGHAI ZHONGYE)	Associate

(2) Significant related party transactions and balances

A. Operating revenue:

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Sales of goods and OEM income:				
Other related parties				
Kelti China	\$ 1,061	\$ 4,834	\$ 3,740	\$ 16,855
Others	719	3,277	472	2,125
	<u>\$ 1,780</u>	<u>\$ 8,111</u>	<u>\$ 4,212</u>	<u>\$ 18,980</u>

There were no significant differences in the price between related parties and other customers. The collection term for related parties is two months. For other customers, advance payment is required.

B. Purchases:

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Other related parties				
Charming Biotech	\$ 21,358	\$ 97,326	\$ 13,697	\$ 61,721
Others	15,768	71,848	12,636	56,943
	<u>\$ 37,126</u>	<u>\$ 169,174</u>	<u>\$ 26,333</u>	<u>\$ 118,664</u>

The purchase price from related parties was based on the mutual agreement, the credit term was 60 days after monthly billings, and there was no significant difference with transactions of non-related parties.

C. Receivables from related parties:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Accounts receivable:				
Other related parties				
SHANGHAI ZHONGYE	\$ 271	\$ 1,212	\$ -	\$ -
Kelti China	96	428	141	642
Others	119	535	3	16
	<u>\$ 486</u>	<u>\$ 2,175</u>	<u>\$ 144</u>	<u>\$ 658</u>
Other receivables:				
Other related parties	<u>\$ 200</u>	<u>\$ 894</u>	<u>\$ 261</u>	<u>\$ 1,191</u>

D. Payables to related parties:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Accounts payable:				
Other related parties				
Charming Biotech	\$ 2,315	\$ 10,353	\$ 3,068	\$ 14,005
Others	844	3,776	185	846
	<u>\$ 3,159</u>	<u>\$ 14,129</u>	<u>\$ 3,253</u>	<u>\$ 14,851</u>
Other payables:				
Other related parties				
Kelti China	\$ 1,295	\$ 5,792	\$ 1,313	\$ 5,994
Others	684	3,058	215	981
	<u>\$ 1,979</u>	<u>\$ 8,850</u>	<u>\$ 1,528</u>	<u>\$ 6,975</u>

The payables to related parties have no collateral and bear no interest.

E. Prepayments:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Other related parties	<u>\$ 166</u>	<u>\$ 743</u>	<u>\$ 843</u>	<u>\$ 3,848</u>

F. Property transactions:

Acquisition of property, plant and equipment

In May, 2018, the Group entered into an agreement to acquire the building and parking space located at Huaihai West Road, Changning District, Shanghai City from the related party, Zhaocang Trading, and the amount of the contract (including VAT) is CNY \$107,856 (TWD \$491,478) which was made based on the appraisal report issued by Shanghai Shenwei Assets Appraisal Co., Ltd. The Group has paid the amount (including VAT) of CNY \$110,878 (TWD \$505,249), in August 2018. The transfer of ownership was completed and the property was reclassified under property, plant and equipment from other non-current assets.

G. Services expense:

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Other related parties				
Harvest Era	\$ -	\$ -	\$ 605	\$ 2,724
Others	1,072	4,884	1,335	6,018
	<u>\$ 1,072</u>	<u>\$ 4,884</u>	<u>\$ 1,940</u>	<u>\$ 8,742</u>

For the services provided by the related parties, prices and terms were determined in accordance with mutual agreements.

H. Lease expense

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Other related parties				
Kelti China	\$ 4,698	\$ 21,408	\$ 4,836	\$ 21,793
Others	5,495	25,039	4,715	21,247
	<u>\$ 10,193</u>	<u>\$ 46,447</u>	<u>\$ 9,551</u>	<u>\$ 43,040</u>

The lease contracts refer to the market price and normal payment terms.

I. Training expense

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Other related parties				
Shanghai Zhe Mei	\$ 8,320	\$ 37,913	\$ -	\$ -

(3) Key management compensation

	Years ended December 31,			
	2018		2017	
	CNY	TWD	CNY	TWD
Salaries and other short-term employee benefits	\$ 14,539	\$ 66,254	\$ 11,886	\$ 53,560
Post-employment benefits	48	219	51	230
	<u>\$ 14,587</u>	<u>\$ 66,473</u>	<u>\$ 11,937</u>	<u>\$ 53,790</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Pledged purpose	Book value			
		December 31, 2018		December 31, 2017	
		CNY	TWD	CNY	TWD
Time deposits (shown as 'other current financial assets')	Short-term loans	\$ -	\$ -	\$ 22,165	\$ 101,184

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Contract signed	\$ 5,795	\$ 25,915	\$ 2,058	\$ 9,395

B. Operating lease agreements: Please see Note 6(24).

C. In June 2017, the Group had signed a donation agreement with Shanghai Tongji University Education Development Foundation, committing to donate CNY \$2,000 every year to reach the total amount of CNY \$10,000 from 2017 to 2021. This donation will be used to help to establish Shanghai Tongji University and Chlitina Holding Limited Education Foundation to support the School of Medicine's recruitment and the School of Economics and Management's development of scientific research.

D. In September 2017, the Group had signed a collaboration agreement with Shanghai Tongji University Lifeng Institute of Regenerative Medicine, committing to pay the research expenses amounting to CNY \$10,000 every year to reach the total amount of CNY \$50,000 from 2017 to 2021. The funds of Tongji University Lifeng Institute of Regenerative Medicine will be used to help the establishment, operations and research expenses of Lifeng Institute of Regenerative Medicine.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. Details of the appropriation of 2018 earnings as proposed by the Board of Directors on March 12, 2019 are provided in Note 6(16).

B. In order to improve strategic development of operating range and strengthen the overall competitiveness, the Group proposed for its subsidiary, Weishuo (Shanghai) Daily Product Limited, to invest CNY \$75,000 for participation in the capital increase of AiFubao (Shanghai) Science and Technology Ltd. The Group will hold 25% ownership of AiFubao (Shanghai) Science and Technology Ltd after the investment. As of March 12, 2019, the subsidiary has not yet paid the capital for shares.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure and the confidence of investors, creditors and market, to return compensation on shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the liability ratio. This ratio is calculated as total liability divided by total assets.

During 2018, the Group's strategy was to maintain the liability ratio within reasonable range, which was unchanged from 2017. The liability ratios at December 31, 2018 and 2017, were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Liability ratio	<u>36%</u>	<u>35%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>CNY</u>	<u>TWD</u>	<u>CNY</u>	<u>TWD</u>
<u>Financial assets</u>				
Financial assets at amortised cost				
Cash and cash equivalents	\$ 882,380	\$ 3,946,003	\$ 749,780	\$ 3,422,746
Financial assets at amortised cost	51,501	230,312	-	-
Accounts receivable (including related parties)	1,077	4,818	454	2,073
Other receivables (including related parties)	3,614	16,161	1,654	7,550
Other financial assets	-	-	45,630	208,300
	<u>\$ 938,572</u>	<u>\$ 4,197,294</u>	<u>\$ 797,518</u>	<u>\$ 3,640,669</u>

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>CNY</u>	<u>TWD</u>	<u>CNY</u>	<u>TWD</u>
<u>Financial liabilities</u>				
Short-term loans	\$ 231,386	\$ 1,034,758	\$ 156,460	\$ 714,240
Accounts payable (including related parties)	16,381	73,258	15,371	70,170
Other payables (including related parties)	127,069	568,252	97,543	445,284
Bonds payable (including current portion)	-	-	409	1,865
Guarantee deposits received	63,723	284,968	58,829	268,554
	<u>\$ 438,559</u>	<u>\$ 1,961,236</u>	<u>\$ 328,612</u>	<u>\$ 1,500,113</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (the Group's treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for over all risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- A. The Group operates internationally and is exposed to foreign exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and CNY. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- B. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group's treasury. Exchange rate risk is measured through a forecast of highly probable USD and CNY expenditures. Natural hedging are adopted to minimise the volatility of the exchange rate affecting cost of held foreign assets or liabilities.
- C. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: CNY, USD and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	Foreign		CNY	TWD
	currency amount (In thousands)	Exchange rate		
December 31, 2018				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : CNY	\$ 2,886	6.8683	\$ 19,822	\$ 88,644
USD : TWD	10,216	30.7150	70,167	313,787
USD : HKD	5,497	7.8335	37,755	168,840
CNY : TWD	9,638	4.4720	9,638	43,101
CNY : USD	4,948	0.1456	4,948	22,127
CNY : HKD	2,532	1.1405	2,532	11,323
EUR : USD	153	1.1460	1,204	5,384
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : CNY	\$ 2,015	6.8683	\$ 13,840	\$ 61,892
USD : TWD	33,689	30.7150	231,386	1,034,758
USD : HKD	258	7.8335	1,772	7,924
December 31, 2017				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : CNY	\$ 3,783	6.5192	\$ 24,662	\$ 112,582
USD : TWD	8,535	29.7600	55,641	254,001
USD : HKD	9,139	7.8172	59,579	271,978
CNY : TWD	15,762	4.5650	15,762	71,954
CNY : USD	4,933	0.1534	4,933	22,519
CNY : HKD	2,721	1.1991	2,721	12,421
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : CNY	\$ 1,719	6.5192	\$ 11,207	\$ 51,160
USD : TWD	24,000	29.7600	156,460	714,240
USD : HKD	508	7.8172	3,312	15,119

D. The total exchange gains (losses), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to loss of CNY \$3,866 (TWD \$17,617) and loss of CNY \$5,847 (TWD \$26,348), respectively.

E. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2018					
Sensitivity analysis					
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
		CNY	TWD	CNY	TWD
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : CNY	3%	\$ 595	\$ 2,659	\$ -	\$ -
USD : TWD	3%	2,105	9,414	-	-
USD : HKD	3%	1,133	5,065	-	-
CNY : TWD	3%	289	1,293	-	-
CNY : USD	3%	148	664	-	-
CNY : HKD	3%	76	340	-	-
EUR : USD	3%	36	162	-	-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : CNY	3%	\$ 415	\$ 1,857	\$ -	\$ -
USD : TWD	3%	6,942	31,043	-	-
USD : HKD	3%	53	238	-	-

Year ended December 31, 2017					
Sensitivity analysis					
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
		CNY	TWD	CNY	TWD
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : CNY	3%	\$ 740	\$ 3,377	\$ -	\$ -
USD : TWD	3%	1,669	7,620	-	-
USD : HKD	3%	1,787	8,159	-	-
CNY : TWD	3%	473	2,159	-	-
CNY : USD	3%	148	676	-	-
CNY : HKD	3%	82	373	-	-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : CNY	3%	\$ 336	\$ 1,535	\$ -	\$ -
USD : TWD	3%	4,694	21,427	-	-
USD : HKD	3%	99	454	-	-

Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. As of December 31, 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in US Dollars.

(b) Credit risk

Effective 2018

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Group has no written-off financial assets that are still under recourse procedures.

- viii. The Group's accounts receivable is generated from the customers who have optimal credit rating, and the expected credit loss rate is 0.03%. As of December 31, 2018, the carrying amount of accounts receivable (including related parties) amounted to CNY \$1,077 (TWD \$4,818). Because the Group expects that the impairment from expected credit loss is insignificant, no loss allowance was recognised.
- ix. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

		December 31, 2018							
		Lifetime							
		12 months		Significant increase in credit risk		Impairment of credit		Total	
		CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Financial assets at amortised cost		\$ 51,501	\$ 230,312	\$ -	\$ -	\$ -	\$ -	\$ 51,501	\$ 230,312

The financial assets at amortised cost held by the Group are the time deposits with maturity term of over three months, and no material issues of credit rating levels were incurred.

- x. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs on its mature liabilities on general and stressful conditions so that the Group approach the risk target that does not occur the unacceptable losses or breach their reputation.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing demand deposits, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative</u>		(In thousands of CNY)		
<u>financial liabilities:</u>			Between 1	
December 31, 2018	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>Over 2 years</u>	
Short-term loans	\$ 231,386	\$ -	\$ -	-
Accounts payable (including related parties)	16,381	-	-	-
Other payables (including related parties)	127,069	-	-	-
Guarantee deposits received	63,723	-	-	-

<u>Non-derivative</u>				
<u>financial liabilities:</u>			Between 1	
December 31, 2017	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>Over 2 years</u>	
Short-term loans	\$ 156,460	\$ -	\$ -	-
Accounts payable (including related parties)	15,371	-	-	-
Other payables (including related parties)	97,543	-	-	-
Guarantee deposits received	58,829	-	-	-
Bonds payable	417	-	-	-

<u>Non-derivative</u>		(In thousands of TWD)		
<u>financial liabilities:</u>			Between 1	
December 31, 2018	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>Over 2 years</u>	
Short-term loans	\$ 1,034,758	\$ -	\$ -	-
Accounts payable (including related parties)	73,258	-	-	-
Other payables (including related parties)	568,252	-	-	-
Guarantee deposits received	284,968	-	-	-

<u>Non-derivative</u>				
<u>financial liabilities:</u>			Between 1	
December 31, 2017	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>Over 2 years</u>	
Short-term loans	\$ 714,240	\$ -	\$ -	-
Accounts payable (including related parties)	70,170	-	-	-
Other payables (including related parties)	445,284	-	-	-
Guarantee deposits received	268,554	-	-	-
Bonds payable	1,900	-	-	-

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable (including related parties), other receivables(including related parties), financial assets at amortised cost, other financial assets, short-term loans, accounts payable(including related parties), other payables(including related parties), bonds payable (current portion) and guarantee deposits received are approximate to their fair values.

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

(a) The related information of natures of the assets and liabilities are as follows:

At December 31, 2018 and 2017: None.

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

ii For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	Years ended December 31,			
	2018		2017	
	Derivative instruments		Derivative instruments	
	CNY	TWD	CNY	TWD
At January 1	\$ -	\$ -	(\$ 4,366)	(\$ 20,160)
Losses recognised in profit or loss	-	-	(3,096)	(13,950)
Settled in the period	-	-	7,569	34,110
Net exchange difference	-	-	(107)	-
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held at balance sheet date	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 3,096)</u>	<u>(\$ 13,950)</u>

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

G. Investment segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2018 and 2017: None.

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

December 31, 2018 and 2017: None.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

- i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Loans and receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(c) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Other financial assets		Measured at amortised cost		Effects	
	CNY	TWD	CNY	TWD	Retained earnings	
					CNY	TWD
IAS 39	\$ 45,630	\$ 208,300	\$ -	\$ -	\$ 236,154	\$ 1,236,828
Transferred into and measured at amortised cost	(23,465)	(107,116)	23,465	107,116	-	-
IFRS 9	<u>\$ 22,165</u>	<u>\$ 101,184</u>	<u>\$ 23,465</u>	<u>\$ 107,116</u>	<u>\$ 236,154</u>	<u>\$ 1,236,828</u>

Under IAS 39, because the cash flows of debt instruments, which were classified as other financial assets-current amounting to CNY \$23,465 (TWD \$107,116), met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Group has the right to receive cash flows, they were reclassified as "financial assets at amortised cost" on initial application of IFRS 9.

C. Credit risk information for the year ended December 2017 is as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- (b) The Group's treasury department manages the credit risk of bank deposits and other financial instruments in accordance with the Group's policies. For the year ended December 31, 2017, because the counterparties of the Group are determined by the Group's internal control procedures, the counterparties are banks or companies with high credit quality and had no material issues of overusing the credit line. The management does not expect losses from counterparty default; thus, there is no significant credit risk.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sale of goods

- i. The Group manufactures and sells skincare products, health food and other products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value added tax, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- ii. The Group manages franchises and provides employee training, skincare salon, OEM, and other related services. One-off franchise income is recognised upon the newly-opened stores' signing of the franchise contract to join the salon channel. The service revenue from company-operated salon is recognised upon the completion of the services. OEM income is recognised when processing is completed. Revenue received prior to the rendition of the services is recognized as advance receipts.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2018	
	CNY	TWD
Net sale of goods	\$ 700,298	\$ 3,155,753
Special affiliate income	23,672	106,673
OEM income	3,248	14,636
Skincare service from company-operated salon and other income	3,027	13,640
	<u>\$ 730,245</u>	<u>\$ 3,290,702</u>

C. For the year ended December 31, 2018, the effects and description of current balance sheet items if the Group continues adopting above accounting policies are as follows:

Balance sheet items	December 31, 2018					
	Balance by using IFRS 15		Balance by using previous accounting policies		Effects from changes in accounting policy	
	CNY	TWD	CNY	TWD	CNY	TWD
Advance receipts	\$ -	\$ -	\$ 46,791	\$ 209,249	(\$ 46,791)	(\$ 209,249)
Contract liabilities -current	46,791	209,249	-	-	46,791	209,249

Under IFRS 15, contract liabilities in relation to the sales contract of products were previously presented as advance receipts in the balance sheet. The adoption had no effects on the current revenue and profit.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 2.
- E. Acquisition of real estate reaching TWD \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching TWD \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching TWD \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching TWD \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the manufacture, distribution, and business operations of beauty products under the brand of Chlitina. For the years ended December 31, 2018 and 2017, the operating revenue, net profit and assets of the company-operated salon business were all less than 10% of their respective totals in the consolidated financial statements. In addition, management considers that the separate list of direct-operational salon business have no reference value. Hence, the information on assets, liabilities and capital expenditures were not disclosed.

(2) Measurement of segment information

The reportable operating segment information provided to the Chief Operating Decision-Maker are operating revenue and profit or loss of the segment.

(3) Information about segment profit or loss, assets and liabilities

Since the Group has only one reportable segment, please refer to the statement of comprehensive income.

(4) Reconciliation for segment income (loss)

The profit and loss before tax of the reportable operating segment provided to the Chief Operating Decision-Maker was the same with the statement of comprehensive income, so there was no reconciliation needed.

(5) Information on products and services

Please refer to Note 6(17) for information on products and services.

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 970,505	\$ 318,920	\$ 693,436	\$ 215,706
Others	34,260	31,125	36,809	32,245
	<u>\$ 1,004,765</u>	<u>\$ 350,045</u>	<u>\$ 730,245</u>	<u>\$ 247,951</u>

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 4,422,397	\$ 1,426,210	\$ 3,124,832	\$ 984,698
Others	156,116	139,191	165,870	147,199
	<u>\$ 4,578,513</u>	<u>\$ 1,565,401</u>	<u>\$ 3,290,702</u>	<u>\$ 1,131,897</u>

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2018 and 2017.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of TWD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Related Party	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Interest rate	Nature of loan (Note 2)	Transaction Amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing Limits for each company	Financing company's total financing Amount	Footnote
													Item	Value			
0	Chlitina Holding Limited	Hong Kong Chlitina International Limited	Other receivables	Yes	\$ 560,000	\$ -	\$ -	Lower 10% of loan market rate	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 411,355	\$ 1,645,420	Note 3, 5
0	Chlitina Holding Limited	Chlitina (China) Trade Limited	Other receivables	Yes	560,000	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	411,355	1,645,420	Note 3, 5
0	Chlitina Holding Limited	Weishuo (Shanghai) Daily Product Limited	Other receivables	Yes	560,000	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	411,355	1,645,420	Note 3, 5
0	Chlitina Holding Limited	Weihu (Shanghai) Trade Limited	Other receivables	Yes	560,000	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	411,355	1,645,420	Note 3, 5
0	Chlitina Holding Limited	Hong Kong W-Amber International Limited	Other receivables	Yes	560,000	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	411,355	1,645,420	Note 3, 5
0	Chlitina Holding Limited	Wuguan (Shanghai) Trade Limited	Other receivables	Yes	560,000	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	411,355	1,645,420	Note 3, 5
1	Hong Kong Chlitina International Limited	Chlitina (China) Trade Limited	Other receivables	Yes	560,000	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	4,606,513	4,606,513	Note 4, 6
1	Hong Kong Chlitina International Limited	Weishuo (Shanghai) Daily Product Limited	Other receivables	Yes	560,000	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	4,606,513	4,606,513	Note 4, 6
2	Chlitina (China) Trade Limited	Weihu (Shanghai) Trade Limited	Other receivables	Yes	232,350	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	2,952,932	2,952,932	Note 4, 7
2	Chlitina (China) Trade Limited	Wuguan (Shanghai) Trade Limited	Other receivables	Yes	92,940	89,440	22,360	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	2,952,932	2,952,932	Note 4, 8
3	Hong Kong W-Amber International Limited	Weihu (Shanghai) Trade Limited	Other receivables	Yes	23,235	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	260,174	260,174	Note 4, 9

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of TWD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Related Party	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Interest rate	Nature of loan (Note 2)	Transaction Amounts	Reason for short- term financing	Allowance for bad debt	Collateral		Financing Limits for each company	Financing company's total financing Amount Limits	Footnote
													Item	Value			
3	Hong Kong W- Amber International Limited	Wuguan (Shanghai) Trade Limited	Other receivables	Yes	\$ 23,235	\$ -	\$ -	Lower 10% of loan market rate	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 260,174	\$ 260,174	Note 4, 9
4	Weihsu (Shanghai) Trade Limited	Beijing YaPulide Medical Beauty Treatment Clinic Co., Ltd.	Other receivables	Yes	92,940	-	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	139,551	139,551	Note 4, 10, 12
5	Weishuo (Shanghai) Daily Product Limited	Wuguan (Shanghai) Trade Limited	Other receivables	Yes	92,940	89,440	-	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	1,245,031	1,245,031	Note 4, 11

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The column of 'Nature of loan' shall fill in '1' as 'Business transaction' or '2' as 'Short-term financing'.

Note 3: The limit on total financing and financing to a single entity shall not be more than 40%, except for inter-company transaction, and 20% of the Company's stockholders' equity, respectively. In addition,

if the Board of Directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines to the same counter party, the limit shall not be more than 10% of the Company's net asset.

Note 4: In accordance with the lending policies and procedures, total loan amount and individual loan amount cannot exceed 100% of the lender (the creditor)'s stockholders' equity between the subsidiaries, for which the ultimate parent company directly or indirectly holds 100% of voting shares.

Note 5: The shared line of credit to Hong Kong Chlitina International Limited, Chlitina (China) Trade Limited, Weishuo (Shanghai) Daily Product Limited, Weihsu (Shanghai) Trade Limited, Hong Kong W-Amber International Limited and Wuguan (Shanghai) Trade Limited amounted to TWD \$560,000. On December 20, 2018, the Board of Directors resolved to cancel the credit line.

Note 6: The shared line of credit to Chlitina (China) Trade Limited and Weishuo (Shanghai) Daily Product Limited amounted to TWD \$560,000. On December 20, 2018, the Board of Directors resolved to cancel the credit line.

Note 7: Weihsu (Shanghai) Trade Limited amounted to CNY \$50,000. On December 20, 2018, the Board of Directors resolved to cancel the credit line.

Note 8: Wuguan (Shanghai) Trade Limited amounted to CNY \$20,000.

Note 9: The shared line of credit to Weihsu (Shanghai) Trade Limited and Wuguan (Shanghai) Trade Limited amounted to CNY \$5,000. On December 20, 2018, the Board of Directors resolved to cancel the credit line.

Note 10: The line of credit to Beijing Yapulide Medical Beauty Treatment Clinic Co., Ltd. amounted to CNY \$20,000. On December 20, 2018, the Board of Directors resolved to cancel the credit line.

Note 11: The line of credit to Wuguan (Shanghai) Trade Limited amounted to CNY \$20,000.

Note 12: Beijing Aobaojia Medical Cosmetology Clinic Limited was renamed as Beijing Yapulide Medical Beauty Treatment Clinic Co., Ltd. on December 24, 2018.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2018

Table 2

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty	Relationship with the investor	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Weishuo (Shanghai) Daily Product Limited	Southern cash Zengli money B	Financial assets at fair value through profit or loss-current	-	-	-	\$ -	130,000,000	\$ 592,384	130,000,000	\$ 593,827	\$ 592,384	\$ 1,443	-	\$ -
Weishuo (Shanghai) Daily Product Limited	ICBCCS Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	45,000,000	205,056	45,000,000	205,520	205,056	464	-	-
Weishuo (Shanghai) Daily Product Limited	China Universal Cash Express Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	357,201,443	1,627,696	357,201,443	1,631,392	1,627,696	3,696	-	-
Weishuo (Shanghai) Daily Product Limited	Jun De Li No.1	Financial assets at fair value through profit or loss-current	-	-	-	-	480,000,000	2,187,264	480,000,000	2,191,576	2,187,264	4,312	-	-
Chlitina (China) Trade Limited	Southern cash Zengli money B	Financial assets at fair value through profit or loss-current	-	-	-	-	172,500,000	786,048	172,500,000	787,808	786,048	1,760	-	-
Chlitina (China) Trade Limited	ICBCCS Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	1,080,000,000	4,921,344	1,080,000,000	4,931,097	4,921,344	9,753	-	-
Chlitina (China) Trade Limited	GF Money Market Fund B	Financial assets at fair value through profit or loss-current	-	-	-	-	402,359,000	1,833,469	402,359,000	1,837,279	1,833,469	3,810	-	-
Chlitina (China) Trade Limited	Jia Shi Money Market Fund B	Financial assets at fair value through profit or loss-current	-	-	-	-	45,357,000	206,683	45,357,000	207,109	206,683	426	-	-
Chlitina (China) Trade Limited	TianFu Money Market Fund B	Financial assets at fair value through profit or loss-current	-	-	-	-	158,530,000	722,390	158,530,000	723,661	722,390	1,271	-	-

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2018

Table 2

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty	Relationship with the investor	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Chlitina (China) Trade Limited	China Universal Money Fund	Financial assets at fair value through profit or loss-current	-	-	-	\$ -	298,324,900	\$ 1,359,407	298,324,900	\$ 1,361,713	\$ 1,359,407	\$ 2,306	-	\$ -

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: The exchange difference of translating to presentation currency was included in book value.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 3

Expressed in thousands of TWD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Chlitina (China) Trade Limited	Buildings	2018.5.10	\$ 491,478	\$ 505,249	Zhaocang (Shanghai) Trading Co., Ltd.	The second degree of kinship of the Company's representative	Shanghai Action Education Technology Co., Ltd.	Non-related parties	2016.11.8	\$ 461,770	Real estate appraisal report	Extension of office	Based on the agreement

Note 1: Above stated amounts are denominated in CNY, and were translated based on the exchange rate.

Note 2: The payment of the building contract was settled, including the tax and other related expenses arising from transfer of assets.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 4

Expressed in thousands of TWD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Chlitina (China) Trade Limited	Weishuo (Shanghai) Daily Product Limited	Subsidiary	Purchases	\$ 631,502	68%	-	60 days after monthly billings	-	(\$ 121,962)	97%	Note 1
British Virgin IS. Chlitina Intelligence Limited Taiwan Branch	Chlitina (China) Trade Limited	Subsidiary	Trademark licences	224,878	100%	-	Note 2	-	37,193	100%	Note 1

Note 1: The transactions have been eliminated upon consolidation.

Note 2: The credit term is 2 months, and the payment should be settled within 60 days after the invoice date.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2018

Table 5

Expressed in thousands of TWD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Footnote
					Amount	Action taken			
Weishuo (Shanghai) Daily Product Limited	Chlitina (China) Trade Limited	Subsidiary	\$ 121,962	5.45	\$ -	-	\$ 121,962	\$ -	Note

Note: Inter-company transactions between companies within the Group were eliminated.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Year ended December 31, 2018

Table 6

Expressed in thousands of TWD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	Weishuo (Shanghai) Daily Product Limited	Chlitina (China) Trade Limited	3	Sales	\$ 631,502	60 days after monthly billings	15%
1	Weishuo (Shanghai) Daily Product Limited	Chlitina (China) Trade Limited	3	Accounts receivable	121,962	60 days after monthly billings	2%
1	Weishuo (Shanghai) Daily Product Limited	Wuguan (Shanghai) Trade Limited	3	Sales	31,300	60 days after monthly billings	1%
2	British Virgin IS. Chlitina Intelligence Limited Taiwan Branch	Chlitina (China) Trade Limited	3	Trademark right income	224,878	In accordance with mutual agreements	5%
2	British Virgin IS. Chlitina Intelligence Limited Taiwan Branch	Chlitina (China) Trade Limited	3	Accounts receivable	37,193	In accordance with mutual agreements	1%
3	British Virgin Is. Chlitina Marketing Limited Taiwan Branch	Hong Kong Chlitina International Limited	3	Sales	71,357	60 days after monthly billings	2%
4	Hong Kong Chlitina International Limited	Weishuo (Shanghai) Daily Product Limited	3	Sales	69,240	60 days after monthly billings	2%
5	Chlitina (China) Trade Limited	Wuguan (Shanghai) Trade Limited	3	Other receivable	22,360	Loans	0%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Separate amounts lower than \$20,000 are not disclosed, so is its counter transaction.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Information on investees

Year ended December 31, 2018

Table 7

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as at December 31, 2018			Net profit (loss) of the investee	Share of profit (loss) of investee	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Chlitina Holding Limited	Chlitina Group Limited	British Virgin Islands	Investing	\$ 665,908	\$ 665,908	2,116,707,348	100.00	\$ 4,972,224	\$ 1,286,059	\$ 1,286,059	
Chlitina Group Limited	Chlitina International Limited	British Virgin Islands	Investing	511,274	511,274	17,000,001	100.00	4,814,508	1,167,571	-	Note
Chlitina Group Limited	Chlitina Intelligence Limited	British Virgin Islands	Investing and researching	-	-	1	100.00	155,699	118,678	-	Note
Chlitina Group Limited	W-Amber International Limited	British Virgin Islands	Investing	50,880	50,880	1,150,000	100.00	538	(86)	-	Note
Chlitina Group Limited	W-Champion International Limited	British Virgin Islands	Investing	34,518	34,518	930,000	100.00	160	(83)	-	Note
Chlitina Group Limited	C-Asia International Limited	British Virgin Islands	Investing	920	920	20,000	100.00	262	(37)	-	Note
Chlitina International Limited	Hong Kong Chlitina International Limited	Hong Kong	Investing and trading of skincare products	245,947	245,947	62,150,001	100.00	4,606,513	1,175,435	-	Note
Chlitina International Limited	Chlitina Marketing Limited	British Virgin Islands	Investing and trading of skincare products	349,851	349,851	11,622,882	100.00	177,394	(6,642)	-	Note
Chlitina International Limited	Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	France	Research and development center	188	188	500	100.00	-	-	-	Note
Hong Kong Chilitina International Limited	Hong Kong Crystal-Asia International Limited	Hong Kong	Investing	69,642	69,642	2,300,000	100.00	65,015	(3,926)	-	Note
Hong Kong Chilitina International Limited	Hong Kong W-Champion International Limited	Hong Kong	Investing	61,865	61,865	2,950,000	100.00	61,603	3,054	-	Note

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Information on investees

Year ended December 31, 2018

Table 7

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as at December 31, 2018			Net profit (loss) of the investee	Share of profit (loss) of investee	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Hong Kong Chilitina International Limited	Hong Kong W-Amber International Limited	Hong Kong	Investing	327,025	327,025	92,800,000	100.00	260,174	(47,798)	-	Note
W-Champion International Limited	W-Champion Marketing Limited	British Virgin Islands	Investing	\$ 31,783	\$ 31,783	930,000	100.00	\$ 160	(\$ 83)	-	Note
W-Amber International Limited	W-Amber Marketing Limited	British Virgin Islands	Investing	56,280	56,280	1,150,000	100.00	250	(37)	-	Note

Note: The 'share of profit (loss) of investee' column should fill in the Company recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2018

Table 8

Expressed in thousands of TWD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Beginning balance of accumulated amount of investment from Taiwan	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year		Ending balance of accumulated amount of investment from Taiwan	Net income (loss) of the investee company	Ownership held by the Company (direct or indirect)	Investment income (loss) (Note 2(2)B)	Book value as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chlitina (China) Trade Limited	Dealer of skincare products and health food	\$ 255,923	2	\$ -	\$ -	\$ -	\$ -	\$ 1,165,701	100.00	\$ 1,165,701	\$ 2,952,932	\$ -	
Weishuo (Shanghai) Daily Product Limited	Production and trading of skincare products	64,207	2	-	-	-	-	91,780	100.00	91,780	1,245,031	-	
Weihu (Shanghai) Trade Limited	Investing, dealer of skincare and supplementary health care products	259,223	2	-	-	-	(48,042)	100.00	(48,042)	139,551	-	-	
Crystal Asia Shanghai Limited	Dealer of skincare products and supplementary health care products	6,455	2	-	-	-	-	145	100.00	145	5,901	-	
Wuguan (Shanghai) Trade Limited	Dealer of skincare products and supplementary health care products	64,193	2	-	-	-	-	2,470	100.00	2,470	31,385	-	
Shanghai Yuanshuo Management Consulting Limited	Enterprise management consulting	137,043	2	-	-	-	(30,015)	100.00	(30,015)	91,019	-	-	
Beijing YaPulide Medical Beauty Treatment Clinic Co., Ltd.	Medical cosmetology services	86,554	2	-	-	-	(23,516)	100.00	(23,516)	68,334	-	-	Note 5
Cui Jei (Shanghai) Trading Co. Ltd.	Dealer of health food and daily necessities	6,055	2	-	-	-	-	204	100.00	204	5,974	-	

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2018

Table 8

Expressed in thousands of TWD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Beginning balance of accumulated amount of investment from Taiwan	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year			Ending balance of accumulated amount of investment from Taiwan	Net income (loss) of the investee company	Ownership held by the Company (direct or indirect)	Investment income (loss) (Note 2(2)B)	Book value as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan	Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
SHANGHAI ZHONGYE TRADE CO., LTD	Production and trading of cosmetics	\$ 29,258	2	\$ -	\$ -	\$ -	\$ -	(\$ 13,484)	30.00	(\$ 4,042)	\$ 22,890	\$ -		

Company name	Ending balance of Accumulated remittance from Taiwan to Mainland China	Investment amount authorized by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Not applicable to foreign issuer.	\$ -	\$ -	Note 4

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (the investee in the third area is Chlitina Group Limited)
- (3) Others

Note 2: In the 'share of profit (loss)' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: The Company was primary listing by foreign issuer and was not restricted to the ceiling of investment of investors in Mainland China regulated by Investment Commission, Ministry of Economic Affairs.

Note 5: Beijing Aobaojia Medical Cosmetology Clinic Limited was renamed as Beijing YaPulide Medical Beauty Treatment Clinic Co., Ltd. on December 24, 2018.

IV. Financial statements for the recent year

V. The latest Individual financial statement audited and certified by CPAs: None.

VI. In case of any financial difficulty with the Company and its related companies in the recent year and as of the issue date of the annual reports, please state its impact on the financial status of the Company: no.

Seven. Discussion of financial report status and financial performance and risks

I. Financial status

Unit: NTD 1,000

Item	Year	2017	2018	Difference		Analysis of changes
				Amount	%	
Current Assets		4,194,313	4,768,842	574,529	14	1
Real estate, plant and equipment		1,057,140	1,363,566	306,426	29	2
Other assets		140,351	255,933	115,582	82	3
Total assets		5,391,804	6,388,341	996,537	18	1
Current Liabilities		1,899,222	2,245,959	346,737	18	4
Non-current liabilities		10,779	28,831	18,052	167	-
Total liabilities		1,910,001	2,274,790	364,789	19	4
Capital stock		794,924	794,924	-	-	-
Additional paid-in capital		1,456,484	1,351,932	(104,552)	(7)	-
Retained earnings		1,605,021	2,306,734	701,713	44	5
Other equities		(374,626)	(340,039)	34,587	(9)	-
Total shareholders' equity		3,481,803	4,113,551	631,748	18	5

Note to the increase (decrease) analysis: (the change is more than 10%, and the difference reaches 1% of the total assets of that year);

1. Increase in current assets: Due mainly to the new short-term loan and increasing cash flows from operating activities.
2. Increase in real estate, plant and equipment: Due mainly to the purchase of property in Shanghai in the current period.
3. Increase in other assets: Mainly due to the result of the increase in investment real estate.
4. Increase in current liabilities: Due to CHLITINA newly added the borrowing of credit loan.
5. Increase in retained earnings: Due mainly to increased profit.

Response plan for the future:
The Company will pay continuous attention to the accuracy and rationality of the financial indicators, and adjust the short-term development strategies in light of its long-term development plans and the reality.

II. Financial performance

(I) Analysis of changes in operating outcome

Unit: NTD 1,000

Item	Year		Increase (decrease) amount	Ratio of changes (%)	Analysis of changes
	2017	2018			
Operating revenues	3,290,702	4,578,513	1,287,811	39	1
Operating costs	624,076	799,759	175,683	28	2
Gross profit	2,666,626	3,778,754	1,112,128	42	3
Operating profit and loss	803,311	1,562,668	759,357	95	4
Non-operating revenues and expenses	17,899	105,877	87,978	492	5
Pretax income	821,210	1,668,545	847,335	103	6
Continuing departments net income before tax	821,210	1,668,545	847,335	103	6
Current net profit (loss)	582,962	1,218,880	635,918	109	7
Other consolidated income (net after tax) - current period	(76,105)	(82,443)	(6,338)	8	-
Total consolidated income - current period	506,857	1,136,437	629,580	124	8
Net profit attributable to the owner of parent	582,962	1,218,880	635,918	109	-
Net profit attributable to uncontrolled equity	-	-	-	-	-
Net profit from total consolidated profit/loss attributable to the owner of parent	506,857	1,136,437	629,580	124	-
Total consolidated income attributable to uncontrolled equity	-	-	-	-	-

Note to the increase (decrease) analysis: (the change is more than 10%, and the difference reaches 1% of the total assets of that year);

1. Increase in operating revenues: Mainly due to business expansion and a strong business operations foundation across the distribution channels.
2. Increase in operating costs: Mainly due to the increase in operating revenues.

3. Increase in operating gross profit: Mainly due to the increase in operating revenues and changes in product structure.
4. Increase in operating profit and loss: Mainly due to the significant increase in operating gross profit and relatively flat changes in expenses.
5. Increase in non-operating income and expense: Mainly due to the increase in obtaining the government subsidies and other gains.
6. Increase in net profit before tax: Mainly due to the increase in operating profit and loss.
7. Increase in current net profit: Mainly due to the increase in operating profit and loss.
8. Increase in current total consolidated profit and loss: Mainly due to the increase in current net profit after tax.

(II) Estimated sales in the coming year and the basis

The Company sets the annual sales target on the basis of the industrial environment and previous performance. Given the huge cosmetology market in China, the chain cosmetic industry will maintain the high growth. Moreover, the market expansion of the Company has gone smoothly, it is estimated that the sales of this year will grow as compared to last year. The financial status of the Company will be improved accordingly.

(III) Possible impact on the future financial position of the Company and the corresponding plan

Since the industry to which the Company belongs is still in the growing stage, the Company, in the future, will continuously deepen the brand connotation of “Brave Women Love”, exalt the brand popularity by promoting it through various media, expand the market share in light of the changes in market demand, raise the profits of the Company, and expects to realize sustainable business growth and sound financial position in the future.

III. Cash flow

(I) Analyze and description of changes in cash flow for the latest year (2018)

Unit: NTD 1,000

Item \ Year	2017	2018	Changes in increase (decrease)	
			Amount	%
Net cash flows from operating activities	718,744	1,316,502	597,758	83
Net cash flows from investing activities	10,198	(531,989)	(542,187)	(5,317)
Net cash flows from financing activities	(791,368)	(218,846)	572,522	(72)

- (1) Net cash flows from operating activities: Mainly due to the increase in net profit before tax of the Company for year 2018.
- (2) Net cash flows from investing activities: **Mainly due to 2018 the Company’s procurement of the real estate in Shanghai Zhongshan which led to the increase in cash outflows.**

(3) **Net cash flows from financing activities: Mainly due to the re-payment of debts and the reduction of cash outflows.**

(II) Plan for improving the liquidity shortage:

Since the cash flows from operating activities in 2018 are positive, which are enough for the operation, the Company did not have any liquidity shortage. The Company has not got involved in any liquidity shortage.

(III) Analysis on the cash liquidity in the coming year (2019)

Unit: NTD 1,000

Initial cash balance	Estimated net cash flow from operating activities for the year	Estimated net cash flows from financing activities and financing activities	Cash surplus (insufficient)	Corrective measures against insufficient cash position	
				Investment plans	Financial management plans
3,946,003	1,269,055	-944,530	4,270,528	-	-
<p>1. Analysis on the changes in cash flow of the current year (in the coming year)</p> <p>(1) Operating activities: It is estimated that the net cash inflows are mainly due to the continuous increase in the 2019 operating revenue.</p> <p>(2) Investing activities: It is estimated that the net cash outflows are mainly due to the increase in capital expenditure.</p> <p>(3) Financing activities: It is estimated that the net cash outflows are mainly due to the the repayment of debts and interest and disbursement of cash dividends.</p> <p>2. Analysis of liquidity and corrective measures against projected insufficient cash position: Not applicable.</p>					

IV. Major capital expenditures in the most recent year

(I) Major capital expenditures and their usage:

Unit: NTD 1,000; December 31, 2018

Asset name	Unit	Size	Year of purchase	Original cost (NTD 1,000)	Revaluation	Undiminished balance	State of use			Insurance	Other situations restricting the establishment of guarantees and rights
							Own use	Rented	Not used		
20F ZhongshanWanbo Square	m ²	1,674.9	2018.5.10	491,478	-	491,478	Yes	None	None	None	None

(II) Expected benefits:

Chlitina head office in China is on the 18th floor (nominal floor) of the ZhongshanWanbo International Center, Shanghai. In line with business operations expansion, it is necessary to increase office space to ensure that the Company provides efficient and adequate work space for our growing number of employees; expand the product display area, training and meeting rooms. The economic benefit of purchase of property outweighs that of leasing. In addition, ownership of property as opposed to tenancy comes with advantages like personalized renovation and allocation of space, enabling the Company to use the space effectively and efficiently.

V. Investment strategies, causes for investment gains and losses planned improvements for the most recent year and investment plan for the coming year

1. Reinvestment policy

The Company has mainly reinvested in its current business other than irrelevant business. Besides the investment cycle provisions in the internal control regulations, the Company has also regulated the reinvestment according to the “Measures for the Administration of Affiliated Party Transactions” and the “Measures for Subsidiary Supervision and Management”. The Company will assist the reinvestment companies to establish appropriate internal control regulations in light of the practical operations of the reinvestment companies under the local laws and regulations.

2. Main reasons for gains or losses in reinvestment for the recent years

Unit: NT\$1,000; December 31, 2018

Invested enterprise	Location Region	Main Operations	Initial investment amount	Reason for gains or losses	Improvement plans	Future other investment plans
Chlitina Group Limited	British Virgin IS.	Investment holdings.	665,908	Holding company's gains comes from the subsidiaries	None	None
Chlitina Intelligence Limited	British Virgin IS.	Investment holdings and R&D	-	Collection of trademark royalty	None	None
Chlitina International Limited	British Virgin IS.	Investment holdings.	511,274	Holding company's gains comes from the subsidiaries	None	None
W-Amber International Limited	British Virgin IS.	Investment holdings.	50,880	Holding company's losses comes from the subsidiaries	None	None

W-Champion International Limited	British Virgin IS.	Investment holdings.	34,518	Holding company's losses comes from the subsidiaries	None	None
Jingya International Marketing Limited	British Virgin IS.	Investment holdings.	920	No actual operating activities	None	None
Chlitina France EURL	France	R&D Center	188	Products R&D	None	None
Hong Kong Chlitina International Limited	Hong Kong	Investment holding and marketing of skincare products	245,947	Sale of own brand products and investment income of subsidiaries	None	None
Chlitina Marketing Limited	British Virgin IS.	Investment holding, marketing of cosmetic skincare products and R&D	349,851	Sale of own brands and other brands and the operation and management of franchised chain stores	Further expand the Taiwan market and overseas market	None
W-Amber Marketing Limited	British Virgin IS.	Investment holdings.	56,280	No actual operating activities	None	None
Hong Kong Jingya International Marketing Limited	Hong Kong	Investment holdings.	69,642	Holding company's losses comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
Hong Kong W-Champion International Limited	Hong Kong	Investment holdings.	61,865	Holding company's gains comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
Hong Kong W-Amber International Limited	Hong Kong	Investment holdings.	327,025	Holding company's losses comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
W-Champion	British	Investment	31,783	No actual	None	None

Marketing Limited	Virgin IS.	holdings.		operating activities		
Chlitina (China) Trade Limited	Mainland China	Marketing of skincare products and health food products	255,923	Sale of own brands and other brands and the operation and management of franchised chain stores	None	None
Weishuo (Shanghai) Daily Product Limited	Mainland China	Production and marketing of skincare products	64,207	Manufacturing and sale of own brand products	None	None
W-Champion (Shanghai) Trade Limited	Mainland China	Marketing of skincare products and health food products	64,193	Sale of own brand products	None	None
W-Amber (Shanghai) Trade Limited	Mainland China	Investment holding, marketing of skincare products and health food products	259,223	No actual distribution marketing business, and the losses comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
Jingya (Shanghai) Trade Limited	Mainland China	Marketing of skincare products and health food products	6,455	No actual distribution marketing business	None	None
Yuanshuo (Shanghai) Enterprise Management Consulting Co., Ltd.	Mainland China	Enterprise management consulting and investment holdings.	137,043	Holding company's losses comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
Beijing Aobaojia Medical Beauty Treatment Clinic Co., Ltd.(Changed from Aobaojia	Mainland China	Medical cosmetology service	86,554	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None

(Beijing) Medical Cosmetology Clinic Co., Ltd.)						
Cui Jie (Shanghai) Trading Co., Ltd.	Mainland China	Marketing of Health products and daily necessities distribution	6,055	No actual distribution marketing business	None	None

3. Investment plan for the coming year

In recent years, the Company, besides actively expanding the cosmetic franchised chain stores, has also embarked on the development of cosmetic-related business for further exploring the market, boosting the brand positioning, enhancing the overall competitive edge of the Group, expanding the sales channel of the Company and the operational scale and profitability of the Company, and creating more value for the shareholders.

- 1) Set up and invest in medical beauty clinics, as well as make use of the current cosmetics chain resource to expand the medical beauty market;
- 2) Cooperate with enterprises or individuals mastering excellent resources to promote the research on the regenerative medicine;
- 3) Check the market demands and operational needs of subsidiaries, and carry out and publicize the diversified channel and exhibiting store program.

As for relevant investment plans, the Company will conduct the investment evaluation and verification procedure as stipulated.

VI. Analyze and assess the risks during the most recent year and up to the date of publication of this annual report:

1. Notes to the risks of overseas business establishment or subsidiary meeting one of the standards for important subsidiaries stipulated in Paragraph 2, Article 2-1 of the rules for accountants to assure financial statements in the most recent fiscal year shall be added:

The subsidiaries of the Company comply with the aforesaid standards for the recognition of the so-called “important business establishment or subsidiary” include Chlitina Group Limited, Chlitina International Limited, Chlitina Intelligence Limited, Chlitina Marketing Limited, Hong Kong Chlitina International Limited, Chlitina (China) Trade Limited and W-Amber (Shanghai) Daily Product Limited. Notes shall be made to local economic profile, changes in political and economic environment, foreign exchange control, taxes and relevant laws, and whether the effect of civil decisions of Chinese courts is acknowledged, other risks and countermeasures.

2. Foreign issuing companies shall also brief the economic profile, changes in political and economic environment, foreign exchange control taxes and relevant laws of the country where a foreign issuing company is incorporated and the main country of operation, and the risks of whether the civil decisions of Chinese courts are acknowledged, and the countermeasures taken:

(1)Country of incorporation: Cayman Islands

A. Economic profile and changes in the political and economic environment

The Cayman Islands is an autonomous British overseas territory in the West Indies. It is in the Caribbean Sea, which is 268km away from Jamaica in the northwest and 640km away from the south of Miami. It mainly consists of three islands. It is an overseas territory of UK. George Town is its capital and commercial center. Its economic revenue mainly comes from the financial service industry. Now, it has become the 5th financial center in the world after New York, London, Tokyo and Hong Kong. It has many professional service agencies in law and accounting, and can render rapid and convenient services.

Companies incorporated in Cayman Islands can be divided into five categories, namely, ordinary company, ordinary no-resident company, exempted company, exempted limited duration company and foreign company. Among them, the exempted company has been usually used by enterprises and individuals of other countries for financial planning because an exempted company cannot operate locally. In recent years, the Cayman government has actively strengthened its reputation of its offshore financial operations while vigorously developing the financial, insurance and shipping businesses. It has concluded the “Mutual Legal Assistance Treaty” with the US and UK for joint prevention of illegal transactions of international criminal organizations by making use of the financial system of Cayman.

To sum up, the Company is a holding company incorporated in the Cayman Islands as an exempted company, and has no material operating activities there. Moreover, the Cayman Islands have been stable in politics for a long time. Its general economic profile and changes in political and economic environment have no material impact on operation of the Company.

B. Foreign exchange control and tax risks and relevant laws

Cayman Islands have no control over foreign exchanges. Except for the annual license fee, exempted companies currently are free from the income tax or value-added tax. See below for the laws and regulations of Cayman Islands on exempted companies:

- (A) An exempted company is prohibited from operating business within the territory of Cayman Islands unless such business has direct help to the offshore business of the company.
- (B) Unless approved by the Financial Secretary of Cayman Islands, an exempted company cannot hold any land within the territory of Cayman Islands. Exempted companies that do not list in the stock exchange of Cayman Islands cannot invite citizens of Cayman Islands to subscribe to their shares or bonds.
- (C) The Company Law of Cayman Islands does not have such provisions that a company must hold annual general meetings. Such company shall hold meetings of shareholders and the board of directors as stipulated in the articles of association, which may not necessarily be held in Cayman Islands. According to the articles of association (“articles of association of the listed company”) of the Company passed through resolutions of the general meeting held on June 19, 2014, the Company shall hold the general meetings within six months after the end of each fiscal year or other period approved by the stock exchange; moreover, the articles of association of the listed company also stipulate that during the stock listing period, the general meetings of the Company shall be held within the territory of the Republic of China.
- (D) The offering of new shares shall be subject to the resolutions of the board of directors. The articles of association of the Company stipulate that the new common stock offering of the

Company shall be subject to the consent of over half of the directors present at a board meeting within more than 2/3 of the board members present. The Company is prohibited from offering shares whose capital stock has not been paid or has been paid partially.

- (E) An exempted company does not need to submit or declare detailed materials of shareholders to or with the company registry of Cayman Islands. According to the articles of association of the Company, the board of directors shall keep the register of shareholders at an appropriate place within or beyond the territory of Cayman Islands.
- (F) The register of shareholders of an exempted company is not necessarily accessible by the public.
- (G) An exempted company may apply to the government of Cayman Islands for commitment of tax-free. The valid period of the commitment applied for the first time is 20 years. The commitment may be applied for update before its expiration.
- (H) An exempted company may apply for deregistration, and transfer the place of incorporation to other countries.
- (I) An exempted company may be registered as an exempted limited duration company. A limited duration company shall have at least two shareholders and the duration of operation of 30 years at most.
- (J) Since the laws of Cayman Islands on the protection of minority interest vary from the laws of the Republic of China and other regions with jurisdiction, the Company has, according to the such laws of the Republic of China as the Securities and Exchange Act and requirements of competent authority, amended the articles of association within the scope permitted by the laws of Cayman Islands to guarantee the shareholders' interests of Taiwan investors.
- (K) Unless otherwise approved, such words as bank, trust, mutual fund, insurance, royal, imperial, empire, assurance, building society or reinsurance shall not appear in a company's name; moreover, the registration documents shall be written in English.

To sum up, since the Cayman Islands implements the open policy to foreign exchanges, and have no relevant control restriction, it has no material impact on the Company's capital use. Moreover, the local government has granted tax preference policies to exempted companies, and has no major restrictions on the operation of exempted companies, with the exception of the aforesaid operation with the territory of Cayman Islands, inviting Cayman citizens to subscribe their shares or bonds, purchasing land within the territory of Cayman Islands and the company name, while the Company is only a holding company incorporated in Cayman Islands and has no operating activities there. Therefore, the Company's incorporation in Cayman Islands, the taxes and relevant laws of Cayman Islands have no material impact on the overall operation of the Company.

C. Whether acknowledge the civil decision effect of Chinese court

(A) Risk of claim:

The Company is an exempted company incorporated in Cayman Islands, and has not applied for a license from the Ministry of Economic Affairs as stipulated in the Company Law of Taiwan, but the articles of association have explicitly stipulated that Taipei District Court shall be the court of first instance for several shareholders' interests protection affairs. Moreover, the Company has appointed the agent ad litem and non-agent ad litem within the territory of the Republic of China as required by Taiwan Stock Exchange, but where any investor files a lawsuit against the Company or its person-in-charge with the Republic of China court, the court may judge the existence of jurisdiction and the means of service

in light of the case nature and plot, and require that the investor states the foreign laws involved in the case, therefore, not all kinds of cases can receive substantive judgment at a court of the Republic of China court.

(B) Risk of decision acknowledgment and execution:

The Cayman Islands laws have not explicitly stipulated that the civil decisions made by courts of the Republic of China court (“decision” made by the court of the Republic of China court”) shall be executed in Cayman Islands, but according to its common law, the decision made by a court of the Republic of China shall comply with the following requirements, only thus will a Cayman Islands court acknowledge its validity and execute it: (1) the foreign court making such decision has the jurisdiction; (2) the decision has explicitly stated that the debtor shall bear the obligation of paying the liquidated sum stated in the decision; (3) the decision shall be final; (4) do not involve taxes, fines and amercement; and (5) the way to obtain the decision, the decision acknowledgement and execution do not violate the principle of fairness and justice or the public policy of Cayman Islands.

If the court of Cayman Islands does not acknowledge the decision of a Chinese court, even if the investor has obtained the decision, it cannot be executed. Therefore, the investor may encounter the risk of being unable to successfully make claims abroad. The investors shall know the legal risks with the securities issued by foreign issuers.

D. Does China has to extradite the defendant to China for trial

The securities regulator of Cayman Islands where the Company is incorporated has executed the “Multilateral Memorandum of International Securities Regulators”. The Financial Supervisory Commission of the Executive Yuan of the Republic of China shall, according to the memo, apply to the securities regulator of Cayman Islands for submission of relevant information or documents, including but not limited to the current records (including the bank and account records regarding fund and asset transfer) enough to rebuild the transactions of securities and derivative financial commodities. Since the memo does not have any provisions on extradition, Taiwan cannot apply to the Cayman Islands to extradite the defendants to Taiwan according to the memo. Next, Taiwan has not executed any agreement for reciprocal judicial assistance in criminal cases with Cayman Islands. To sum up, Taiwan may face the risk of unable to apply to Cayman to extradite the defense to Taiwan for trial.

E. Risk with the governing law due to the difference between the laws of Cayman Islands and the laws of the Republic of China

(A) The Company is a company established according to the laws of Cayman Islands. In order to list in Taiwan Stock Exchange Corporation, the Company has modified its articles of association according to relevant laws of the Republic of China to secure the shareholders’ rights. As for the matters uncovered in the articles of association, the Company will handle them according to relevant laws of Cayman Islands and the laws of the Republic of China governing foreign issuers. Given the differences between the laws of Cayman Islands and the Taiwan laws on corporate operations, the investors cannot apply the opinions on protecting the legal rights when investing in Taiwan companies to the investments in a Cayman company. Therefore, the investors shall indeed know and consult with experts on whether the shareholders’ interests can be secured when investing in a Cayman company.

(B) Since the differences between Cayman Islands and the Republic of China in laws and stock exchange regulations will probably cause conflicts in governing law or interpretation, the

resolution of conflicts in governing law or interpretation is still subject to the court decision. Therefore, the investors are hereby reminded to aware that when they intend to apply to a court of the Cayman Islands to execute a Taiwan court decision, or file a lawsuit or apply to a court of the Cayman Islands for execution of relevant rights, the court of the Cayman Islands will not necessarily recognize the Taiwan laws and practices (including but not limited to the way of equity transfer and records of equity holders), which will probably incur the risks of exercising rights to foreign companies.

F. An investor, when trading the listed, OTC and emerging stocks, shall prudently assess whether its financial position and capacity fit for investment, and pay close attention to the following issues:

(A) Since the Company is incorporated in the Cayman Islands and subject to the laws and regulations of the Cayman Islands. The provisions on corporate governance, accounting standards and taxation may probably vary from the Chinese provisions, and are different from the Chinese provisions on listing and OTC, review method, information disclosure, shareholder's equity protection and regulation applicable to enterprises incorporated in China. Therefore, the investors shall know this and other potential investment risks.

(B) The contents of the company law of the place where the Company is incorporated on exercise and guarantee of shareholders' rights vary from the Chinese laws. The investors shall carefully read the annual reports and articles of association of a company to know the capital increase and reduction procedures, disposal of the shares obtained, restrictions on equity transfer, notification period of a general meeting, attendance to the general meetings and exercise of the right to vote, dividend distribution ratio and procedure, director selection and removal methods, rights of the board of directors, functions and powers of the independent directors and the audit committee, remuneration of directors and managers, directors and managers' claim against the company for compensation, and other important affairs concerning the corporate governance and shareholders' rights. When necessary, the investors shall consult the opinions of professionals, such as the lawyers and accountants who have obtained the local license.

(C) The investors, when making investments, shall know the characteristics and risks of the company, including the liquidity risk when trading in Chinese market, financial risk of the company, and risks with the political, economic and social changes, changes in the industrial prosperity cyclical changes, law observance, etc. of the place of incorporation and the main place of operation.

(D) Since the foreign securities investment risks and the factors influencing the market cannot be illustrated one by one, the investors shall, prior to each transaction, carefully read the public information released in the annual reports, and reckon on factors which will probably influence the investment judgment prudently to fulfill the financial planning and risk assessment well and avoid unbearable losses arising from the transactions.

(2) Main country of operation: British Virgin Islands (BVI)

The major subsidiaries of the Company in the main country of operation include Chlitina Group Limited, Chlitina International Limited, Chlitina Intelligence Limited and Chlitina Marketing Limited, which are all established according to the BVI laws. See below for details about the risks:

A. Economic profile and changes in the political and economic environment

BVI are a British overseas territory in the Caribbean and to the east of Puerto Rico. The BVI and the adjacent U.S. Virgin Islands and the Virgin Islands of Spain are collectively referred

to as the Virgin Islands. Currently, BVI are a British overseas territory featured by autonomous management, legislation through the independent legislative council and stable politics. The economic revenues of BVI mainly come from the tourism and financial services. The USD has become its common currency since 1959, and its official language is English.

B. Risks of foreign exchange control, laws and taxes

BVI have no control over foreign exchanges. Except for the government license tax to the local government, and the fees for using the registered address and registered agent, which are paid annually, the offshore income of business companies incorporated in BVI is free from the corporate tax, capital gains tax or property tax or other taxes applicable to business companies. BVI business companies may obtain special exemption from paying the income tax. The Income Tax Law also exempts the business companies from following relevant provisions in the Stamp Duty Tax and the Registration and Recording Act for the documents or contracts involved in operations of the business companies, including transaction in which a business company transfers its property to another business company or transactions involving the corporate securities. The people living and working in BVI only pay few salaries tax. In terms of laws and regulations, according to the 2004 BVI Law for Business Companies, a company may not declare or distribute dividends unless its directors believe that after the dividend distribution, A. the company can still repay its debts falling due; and B. the assets of the company are more than its liabilities.

C. Whether acknowledge the effect of the civil decision of courts of the Republic of China court

The BVI laws have not explicitly stipulated that the civil decision made a court of the Republic of China court (“decision made by a court of the Republic of China”) shall be executed in BVI. The BVI court will deem the final decision made by a Taiwan court requiring a company to pay certain amount (other than the multiplied damages, taxes or other amounts of similar nature, or fines or other amercement) to certain people as valid, and will make a decision accordingly, but A. the Taiwan court shall have appropriate jurisdiction to the parties involved in the decision; B. the Taiwan court has not violated the principle of natural justice of BVI; C. such decision has not been obtained by means of cheating; D. the execution of such decision will not violate the public policies of BVI; E. the BVI court, before making a decision, has not received any new evidence adopted and related to the lawsuit; and F. it has followed the due process under the BVI laws.

(3) Main country of operation: Hong Kong

The important subsidiary of the Company in the main country of operation is Hong Kong Chlitina International Limited that mainly engages in the investment and sale of skincare products. See below for details about relevant risks:

A. Economic profile and changes in the political and economic environment

Hong Kong is located at the coast of the South China Sea and east side of the Pearl River estuary. It adjoins Guangdong and Shenzhen in the north, can see the Wanshan Islands in the south, and adjacent to Macao and Guangdong Zhuhai in the west. Hong Kong consists of the Hong Kong Island, Kowloon and New Territories, and 263 islands in total. In 1984, Hong Kong and UK concluded the “Sino-British Joint Declaration”. On July 1, 1997, the sovereignty of Hong Kong was handed over, and the SAR was established. Hong Kong implements the “Basic Law of Hong Kong” which stipulates explicitly that Hong Kong does not implement the socialism, and will continue its capitalism and way of life for fifty years.

Besides the national defense and foreign affairs, Hong Kong enjoys a high degree of autonomy in all the other affairs and the right to participate in international affairs, which is called "the Hong Kong people administer Hong Kong, and a high degree of autonomy". Now, it has an important place in the Asia-Pacific area, and it is a modern international metropolis focusing on industry and business, and is called "one of the four Asian tigers" and the "Nylon Kong". Hong Kong is an important international hub of finance, service and shipping, and famous for its incorruptible society, excellent public order, economic freedom and perfect legal system.

Locally incorporated companies may establish private joint stock companies or incorporate and establish an unlimited liability companies and guarantee limited liability companies according to the HK Companies Ordinance. A company must have an English name, or both Chinese and English names. There is no restriction on the amount of the minimum authorized capital. Generally, the amount is HK\$10K. A HK company shall engage a HK local citizen to serve as its company secretary, and engage at least one director (individual or legal person); the HK company shall withdraw the business registration certificate and register with the inland revenue department, and submit the annual declaration form to the registration office for filing within 42 days as of the anniversary date of its incorporation, and have qualified independent auditors (i.e., accountants) conduct the annual audit. A company that will probably pay the profits tax will receive a profits tax return. The company shall fill relevant information in it and submit it together with the audited accounts to the government within one month upon issue of the return (it is stipulated in the Inland Revenue Ordinance that a newly incorporated HK company generally shall confirm whether it needs to fill out the tax return within 18 months after its incorporation and submit it together with the audited accounts).

B. Foreign exchange control, taxes and relevant legal risks

HK has no foreign exchange control. Moreover, the HK tax system is based on the "territory" or "tax source". Generally speaking, HK only levies taxes on the income or profits obtained within the territory of HK other than those obtained beyond the territory of HK. Main taxes:

- ① Salaries tax means the tax levied on the salaries of tax payers earned for work in HK. The government will offer the salaries tax payers with various tax allowances, and collect the tax at a progressive tax rate after deducting the tax allowances.
- ② Income tax which is a tax paid by the tax payer for the profits obtained from its business operation in Hong Kong.
- ③ Property tax which is a tax paid by the tax payer for holding a property in Hong Kong and earning profits by leasing the property. There is no need to pay the property tax for just holding a property, but the rates, land rates or land rents.
- ④ Stamp duty is the tax levied by the HK government on real estate transfer or leasing and stock transfer.
- ⑤ Commodity tax: Hong Kong generally does not levy the commodity tax, with the exception of liquor, tobacco, hydrocarbon and methanol.

C. Whether acknowledge the civil decision effect of Chinese court

Since the HK courts and courts of the Republic of China do not have measures for reciprocal enforcement, the winner in a court of the Republic of China has to follow the common law of HK when in HK. However, whether to acknowledge and implement the decision of a court of the Republic of China or not, the HK court will, according to the details of each decision, consider whether the decision complies with several conditions, including but not

limited to:

- ① Whether the rights covered by the decision belong to private rights or not;
- ② Whether such decision complies with the needs of judicial interests, common knowledge and legal order or not;
- ③ Whether the acknowledgement of such decision will impair the sovereign interests or leads to violation of other public policies;
- ④ Whether the decision complies with the common law principles, including but not limited to:
 - (i) whether such decision is valid and final; (ii) whether the persons involved in the decision (or the stakeholders) are the same as the ones in the case on which the HK court makes a decision; and (iii) whether the decision made by the HK court can solve the disputable event.

(4) Main country of operation: Mainland China

The important subsidiaries of the Company in the main country of operation include Chlitina (China) Trade Limited and Weishuo (Shanghai) Daily Product Limited, which are all established according to the Chinese laws. See below for details about relevant risks:

A. Economic profile and changes in political and economic environment

According to the data released by the National Bureau of Statistics of the People's Republic of China on February 28, 2019, the 2016 GDP was RMB 74,412.7 billion, up by 6.7% as compared with 2015; the 2017 GDP was RMB82,712.2 billion, up by 6.9% as compared with 2016; the 2018 GDP was RMB82,712.2 billion, up by 6.6% as compared with 2017. Despite the slow growth, the economic structure has been optimized continuously. The data indicates that the economy of the Chinese mainland has assumed a new normal. China has accomplished the economic growth target of 7-8% set in the 12th five-year planning of the Mainland China, which has paved a solid foundation for the economic and social development during the 13th five-year period. It is expected that the economy will maintain the medium to high speed growth in the future.

The Mainland China has insisted on the general keynote of making progress while maintaining stability in its economic development, firmly carried out the new development concept, focused on the improvement of quality and benefits, planned and promoted the "five-in-one" general arrangement, coordinated the progress of the "four-comprehensive" strategic layout, taken the supply side structured reform as the main line, and fulfilled the work for stable growth, reform promotion, structural adjustment, livelihood benefits and risk prevention to make the economy progress steadily, turn better, and even better than expectation, and make the economic society maintain the steady and sound development.

Since most of the Company's products are manufactured and produced in China, and the development strategies of the Company have taken the Mainland China market as the main base of operation, and its operating revenue also comes from the Mainland China. Given this, the financial status, operation results and prospect of the Company will be subject to the policies, economy and legal development of China. This uncertainty will probably cause certain impact on the operation of the Company and the investments of investors.

China's economic environment varies from that of many developed countries in such aspects as economic structure, degree of government intervention, urban and rural development, economic growth, capital investment, control over capital investment, foreign exchange control, local resource distribution, etc. China had operated under the centrally planned economy system before 1978. All the production and business activities within the territory of China are subject to the economic objectives set forth in the five-year plan and annual plan of the central

government. Since 1978, the Chinese government has implemented the opening-up and reform, and allowed foreigners to invest, as well as carried out the economic reform, which made it gradually change from the planned economy to the market-oriented economy. These reforms have contributed to the past more than 20 years of economic growth of China. However, the reforms and economic policies to be taken by the Chinese government have no precedents to follow or just carried out on a pilot basis, which will probably cause unforeseeable results and certain unexpected adverse effect on enterprises primarily operating in China, including the Company.

Despite the rapid economic growth of China, the geographical areas have not realized balanced growth. Rapid economic growth will probably bring increase in capital supply and accelerate the inflation. Where the price of the Company's products has not been adjusted in time due to the market changes, it will probably lead to high costs, gross profit decline or sales decline, and have adverse effect on the Company's business. In order to control inflation, the Chinese government used to control the bank credit, set the loan ceiling of fixed assets and restrictions on loans disbursed by the state banks. The implementation of these policies in the future will probably lead to the slowdown of economic growth and adverse effect on the business, financial status and operation results of the Company.

Though the legal system of China has gained development, it is still not perfect. Even if China has enough legal provisions, it is still uncertain and incidental when it enforces the current laws or contracts, and it may be not easy to obtain rapid and fair enforcement or execution of the judgments of other courts with jurisdiction. China's legal system is based on the statute law and its interpretation. The previous court decision may be cited for reference, but the binding force is limited. Since China's judicial organs do not have experience in many cases, the litigation outcome is uncertain. Moreover, the interpretation of laws and orders is probably subject to the government policies, and thus reflects the changes in domestic politics. Given the development of China's legal system, the future changes in laws or interpretations will probably cause adverse effect on the business, operation results, financial status and prospect of the Company.

B. Foreign exchange control, taxes and relevant legal risks

(A) Foreign Exchange Control

Since 1978, China's foreign exchange administration system has been gradually adjusted from a highly-centralized planned model to a market-oriented one. Starting in 1994, China has carried out the reform of its foreign exchange administration system to further give play to the role of the market mechanism. The first is to align the RMB exchange rate with that of the international market and to implement a single, managed, floating exchange rate system based on market supply and demand. The second is to implement the banking foreign exchange settlements and sales system and to gradually realize free convertibility of the RMB in the current account balance. Finally, to establish the inter-bank foreign exchange market, improve the exchange rate formation mechanism, and maintain a reasonable and relatively stable RMB exchange rate. The exchange rate of RMB against foreign currencies depends on changes in China's politics and international political and economic environment. Since July 21st, 2005, when China adopted a floating exchange rate policy, the RMB exchange rate was officially delinked from the US dollar. Instead, the exchange rate policy of a basket of currencies was adopted, allowing the RMB exchange rate to fluctuate slightly. But the RMB exchange rate is sometimes undervalued as Mainland China's government has strongly prevented RMB appreciation to maintain export competitiveness. The international powers headed by the United States and Europe will

continue to put pressure on the Chinese government, arguing that China should adopt more floating monetary policies, which may cause the RMB to appreciate against the US dollar. Changes in the exchange rate of the RMB against the dollar may have an uncertain impact on cash flow, profit performance, earnings distribution, and financial conditions. The company's functional currency is mainly RMB, and it is the same case for purchasing and sales. Therefore, changes in the exchange rate of the RMB against the dollar will not have an uncertain impact on cash flow, profit performance, earnings distribution and financial conditions of the company.

(B) Income Tax and Value-added Tax

Pursuant to the “Law of the People's Republic of China on Income Tax of Enterprises with Foreign Investment and Foreign Enterprises”, which was applicable before January 1st, 2008, enterprises with foreign investment and foreign enterprises (hereinafter referred to as “enterprises with foreign investment”) established in China would be subject to a national enterprise income tax rate of 30% and a local income tax rate of 3%. The Chinese government provides enterprises and companies with foreign investments that meet certain criteria with a variety of preferential policies, including tax exemptions, tax reductions, tax rebates, etc. In accordance with “Law of the People's Republic of China on Income Tax of Enterprises with Foreign Investment and Foreign Enterprises” (hereinafter referred to as the “China Income Tax Law”) and its rules for implementation, enterprises with foreign investment established in special economic zones, or productive enterprises with foreign investment established in economic and technological development zones are subject to the enterprise income tax at a reduced rate of 15%. In case productive enterprises with foreign investment have an operating period of more than 10 years, its enterprise income tax is, commencing from the year in which it starts to profit, exempted from in the first and second year, and levied with a 50 per cent reduction from the third to the fifth year (hereinafter referred to as “2 Years free and 3 Years Half”).

However, on March 16th, 2007, China promulgated the “Law of the People's Republic of China on Enterprise Income Tax”. On December 6th, 2007, China promulgated the “Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China”. The new law came into force on January 1st, 2008. Pursuant to the new enterprise income tax law, all enterprises (including enterprises with foreign investment) would be subject to the statutory income tax rate of 25%. Some tax incentives, exemptions, and protection measures for enterprises with foreign investment in the current regulations will be abolished. Five years after the implementation of the new enterprise income tax law, the preferential enterprise income tax rate enjoyed by enterprises with foreign investment may gradually increase to 25%. But the new enterprise income tax law allows manufacturing enterprises with foreign investment to be exempt from the limit of the new law and to continue to enjoy preferential tax policies after five years.

In terms of value-added tax, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of Mainland China are taxpayers of Value-Added Tax, the rate ranging from 0% to 13%. For taxpayers exporting goods, the tax rate shall be 0%. In addition, in accordance with the Law of the People's Republic of China on Enterprise Income Tax which came into force on January 1st, 2008 and the regulation on its implementation, enterprises established outside Mainland China but with “actual management functions” conducted in China are seen as “resident enterprises”. They shall pay enterprise income tax at the rate of 25% for income derived from or accruing in or outside of

Mainland China.

And in accordance with the new enterprise income tax law, from January 1st, 2008, where the non-resident enterprises have no office or premises established in Mainland China or the income derived or accrued has no de facto relationship with the office or premises established, they shall pay the prepaid enterprise income at a rate of 10% for various passive income (e.g. dividends) derived from or accruing in Mainland China. (In accordance with the tax treaty of the Hong Kong Special Administrative Region, the tax rate is 5%.)

(C) Labor Contract Law

On January 1st, 2008, China began to implement the new Labor Contract Law with the purpose of protecting the lawful rights and interests of employees and specifying the rights and obligations of the parties to employment contracts. The Labor Contract Law stipulates that once a company hires employees (including probation), the parties to employment contracts shall sign a written labor contract within one month from the date of employment. If employers have not signed a written labor contract with employees for more than one month and less than one year from the date of employment, each month the employers shall pay twice as much as the salary of the employees. If employers fail to enter into a written labor contract with employees within one year from the date of employment, it shall be deemed that the employer and the employee have entered into an open-ended labor contract. When the employment relationship ends, under certain circumstances stipulated in the labor contract law, the employer must pay severance pay. If the employer provides equal or better renewal terms than the present, but the employee refuses to sign a new contract, the employer is exempt from severance pay.

The severance pay shall be based on the number of years worked with the Employer, but excluding the specific period decided by the local government before 2008. Generally, the severance pay is at the rate of one month's wage for each full year worked. Any period of not less than six months but less than one year shall be counted as one year. The severance pay of any period of less than six months shall be one-half of the monthly wages. If there is no written employment contract but the arbitration judgment determines that there is an employment relationship that has actually existed for more than one month but less than one year, the employer shall pay the employee double monthly salary, and when the employment relationship expires, the employer shall pay the employee severance pay according to the above calculation method.

If the implementation of the Labor Contract Law greatly increases the employment cost of the company, there are clear regulations for manufactures in terms of the establishment of labor contracts, severance pay, a large number of dismissals, placement, and even non-competition. However, the company is not in a labour-intensive industry, and most of the human resources in the Chinese market are sales and management personnel. In recent years, the salaries of many Chinese employees have been increased to respond to changes in the human resources market. As the company has always been committed to providing employees with a good working environment and benefits, it is expected to effectively retain competent employees. Therefore, the Labor Contract Law that has been implemented since January 1st, 2008 has a limited impact on the company, but legal changes in China in the future may affect the company's operation.

(D) Specialty of Land and Real Estate

There is no private ownership of land in China. Except where it is stipulated by law that it belongs to the state, the land within China is collectively owned by the working people.

According to “Law of the People’s Republic of China on Urban Real Estate Administration” (hereinafter referred to as “Real Estate Administration Law”) adopted by the National People's Congress to adjust the urban real estate relationship, the main body of land ownership in China is specific, including the state and the collective. The land ownership is divided into national land ownership and collective land ownership, and the collectively-owned land can be requisitioned in accordance with the law by the state.

In accordance with the “Real Estate Administration Law” and the “Measures for the Administration of Commercial Housing Leasing” which was promulgated on December 1st, 2010 and implemented on February 1st, 2011, parties to housing leasing shall enter into a written leasing contract and housing leasing shall be registered. According to the “Contract Law of the People's Republic of China” and the Supreme People's Court “Interpretation of several issues concerning the application of the ‘Contract Law of the People's Republic of China’ (1)”, laws and administrative regulations provide that the contract shall be subject to registration procedures. But for a contract which is not clearly defined to be effective only after registration, the failure of the parties to complete the registration procedures will not affect the validity of the contract, and the ownership of the subject matter of the contract and other property rights cannot be transferred. Given the “Real Estate Administration Law” and “Measures for the Administration of Commercial Housing Leasing” and other relevant laws, administrative regulations do not stipulate that the leasing contract is only effective after registration, therefore not completing leasing registration will not affect the validity of the leasing contract.

(E) Social Insurance and Housing Provident Fund

① Social Insurance

In accordance with the “Provisional Regulations on Collection and Payment of Social Insurance Premiums”, the types of social insurance cover basic pensions, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. The collection and payment scope is state-owned enterprises, collectively owned enterprises in cities and towns, enterprises with foreign investment, privately owned enterprises in cities and towns and other enterprises in cities and towns, as well as their staff and workers, and institutions managed as enterprises, as well as their staff and workers. Enterprises, within 30 days of the date of their establishment, shall apply for social insurance registration at the local social insurance agencies on the basis of their business licenses, registration certificates, or other such relevant certificates. After verification, the social insurance agencies shall issue such enterprises a social insurance registration certificate. The peoples' governments of provinces, autonomous regions, and municipalities directly under the Central Government, according to the actual local conditions, may determine that these regulations shall apply to the collection and payment of work-related injury insurance and maternity insurance premiums within their respective administrative areas.

The “Provisional Regulations on Collection and Payment of Social Insurance Premiums” stipulates that employers shall, from January 22nd, 1999, pay social insurance premiums for employees. But given that China’s social insurance system is in the process of gradual establishment and improvement, there are enormous differences in the actual situations of various regions. Provinces, autonomous regions and municipalities directly under the Central Government, according to the actual local conditions, in compliance with the basic rules of the “Provisional Regulations on Collection and Payment of Social Insurance Premiums”, formulated their respective specific regulations of the collection and payment

of social insurance premiums to realize the local management of social insurance.

The company's major subsidiaries in Mainland China, including Chlitina China and Weishuo Company, all comply with the local regulations applicable in the Shanghai region. Both Chlitina China and Weishuo Company have obtained the "Fundamentals of Units Participating in City and Town Social Insurance" from the Shanghai Social Insurance Fund Management Center without any arrears. From January to July 2015, Chlitina China authorized Qianjin Network Company and its partners to pay social insurance for part of its employees, and we have obtained the relevant documents proving the above fact. From August, 2015, Chlitina China began to pay social insurance for relevant employees on its own.

As described above, the company pays and withdraws various social insurance premiums for employees in accordance with the relevant laws, regulations, and local policies. The social insurance premium base number and rate are in compliance with the relevant laws and administrative regulations, and there is no need to pay a dodged amount and there are no penalties. By the date of issuing this certificate, Chlitina China and Weishuo Company did not have any major illegal or bad records of labor and social insurance, nor had any major labor disputes or employee strikes, nor had been subject to administrative penalties from the labor and social security authorities.

② Housing Provident Fund

In accordance with the "Regulations on Management of Housing Provident Funds", a newly-established unit shall undertake the registration of payment and deposit of housing provident funds at the managing center of the housing provident fund within 30 days of its establishment, and shall, on the basis of the verification documents of the managing center of housing provident funds, undergo the procedure of opening the accounts of housing provident funds for its workers and staff at the commissioned bank within 20 days of the registration. Where a unit fails to make the payment and deposit registration of the housing provident fund or fails to undergo the procedure for its workers and staff to open a housing provident fund account, the managing center of the housing provident fund shall order it to be undertaken within a specified time limit. Where it is not undertaken by the expiration of the specified time limit, a RMB fine shall be imposed. Where a unit fails to pay or pays less than the full amount the the housing provident fund by the expiration of the time limit, the managing center of the housing provident fund shall order it to be paid and deposited within a specified time limit. Where it is not paid and deposited yet by the expiration of the specified time limit, compulsory enforcement by the people's court may be applied.

"Regulations on Management of Housing Provident Funds" was promulgated and implemented on April 3rd, 1999, stipulating that employers should pay housing provident funds for employees. But given that Mainland China's housing provident fund system is in the process of gradual establishment and improvement, provinces, autonomous regions and municipalities directly under the Central Government, according to the actual local conditions, in compliance with the basic rules of the "Regulations on Management of Housing Provident Funds", formulated their respective specific regulations for the collection and payment of housing provident funds, or published policies related to the base number and rate of housing provident funds every year, to realize the local management of housing provident funds.

The company's major subsidiaries in Mainland China, including Chlitina China and Weishuo Company, all comply with the laws and regulations to open a provident fund account and pay provident funds, and pay housing provident funds for employees in

accordance with the law. They do not violate the laws and regulations of the State and Shanghai on the management of housing provident funds and have obtained the “Housing provident fund deposit certificate” issued by the Shanghai Provident Fund Management Center, indicating that the above two companies have not been subject to an administrative penalty from the center since they opened their account and deposited into it. Meanwhile, from January to July 2015, Chlitina China authorized Qianjin Network Company and its partners to pay housing provident funds for part of their employees, and we have obtained the relevant documents proving the above fact. From August 2015, Chlitina China began to pay the housing provident funds of the relevant employees on its own. As described above, the companies have complied with the “Regulations on Management of Housing Provident Funds” and “Regulations on Management of Housing Provident Funds in Shanghai” to pay housing provident funds for employees without disputes with employees due to housing provident fund issues.

(A) Environmental Protection

The company's production base is in Mainland China. The subsidiary of the company in Mainland China, Weishuo Company, is mainly responsible for production and manufacturing, therefore it must comply with a number of environmental regulations in China. The factory of Weishuo Company obtained the environmental impact assessment report at the time of the establishment, and passed the acceptance check of the local environmental protection authority. Weishuo leased the plant to Chlitina (China), and the sewage generated during its production has not yet reached the standard of the pipes. Therefore, the sewage goes through physiochemical and biochemical treatment of the water treatment equipment of Chlitina (China) before being discharged into the sewer. As for waste disposal, Weishuo also entered into contracts with qualified waste disposal companies for regular processing. Although the company has done its best to comply with applicable environmental laws and regulations, China's central and local governments may modify environmental regulations and implement more or more stringent environmental standards and regulatory requirements. Compliance with the relevant regulations may result in significant costs for the company, but the company may not be able to pass on such costs to customers. If the company fails to comply with or is accused of violating these environmental protection regulations, it may pay fines or be asked to shoulder other environmental liabilities, which may adversely affect the company's reputation. If the Chinese government changes its existing environmental protection regulations, it may also cause the company to increase its spending on environmental protection.

The company did not have an adverse record of environmental protection violations as of the publication date of the annual report, and will continue to comply with environmental protection laws and regulations.

- (B) The Company's subsidiaries in Mainland China are supervised and regulated by Chinese government agencies, including but not limited to the commerce departments, industry and commerce departments, foreign exchange administration departments, environmental protection departments, safety supervision departments, and drug regulatory departments. The aforementioned government regulatory authorities have the right to promulgate and/or enforce laws, regulations, and regulations concerning the production and operation of subsidiaries in Mainland China in accordance with the laws and regulations. The production and operation of the company's subsidiaries in Mainland China requires obtaining the relevant approvals and licenses from the government regulatory authorities. If subsidiaries in Mainland China cannot obtain or continue to hold the approvals and

licenses of various government regulatory authorities, they may be punished including fines, termination, or restriction of business. The occurrence of any of the above conditions will affect the company's production and operation. The company will continue to closely observe and understand the Chinese government's policy development trends and regulatory changes, and is committed to following them.

(C) Dividend Distribution

As the company is a holding company, the ability to pay dividends depends on the surplus and distribution of its subsidiaries, and the distribution method and amounts approved by the Board of Directors. Therefore, the dividend distribution in the future will be based on the overall operating performance, financial condition, cash requirements and applicable laws of the group, as well as applicable laws and regulations. For example, in accordance with Chinese law, Chinese subsidiaries can only distribute and pay dividends from their net profits, and the amount of net income is based on the retained earnings calculated in accordance with China's generally accepted accounting principles and China's relevant financial laws and regulations, differing from international financial reporting standards.

In addition, in accordance with the relevant laws and regulations, when a Chinese subsidiary distributes profits, it is required to allocate at least 10% of the net profit after taxation for the current year to be the statutory surplus (a statutory reserve for no distribution of dividends, but only when the reserve accumulated reaches 50% of the company's registered capital). If a subsidiary in Mainland China pays dividends to the company in repatriation of funds, it is subject to 10% income tax, which may reduce the company's ability to allocate dividends to shareholders.

C. Whether acknowledge the civil decision effect of Chinese court

In accordance with the "Provisions of the Supreme People's Court on People's Courts Recognizing Civil Judgments of Taiwan's Related Courts" and the "Supplementary Provisions of the Supreme People's Court on People's Courts Recognizing Civil Judgments of Taiwan's Related Courts" that were promulgated and implemented by the Supreme People's Court, if the person concerned's domicile or habitual residence or the location of the property to be executed is in the other provinces, autonomous regions, or municipalities directly under the Central Government, the civil judgments of Taiwan's related courts may be submitted to the People's Court for approval within two years after the determination of the validity of the judgment, and the person concerned can also apply for property preservation. The civil judgments of the related courts of Taiwan approved by the people's court shall have the same effect as the effective judgments made by the people's courts. Although there is no mutual legal assistance agreement or other similar agreement between the Chinese judicial authorities and the judicial authorities, in accordance with the relevant regulations of the Chinese judicial authorities and mutual legal assistance agreements signed by cross-strait institutions, Chinese lawyers believe that China, on the basis of the reciprocity principle without the violation of related laws, public order, or good customs, can recognize and enforce the civil judgments and arbitration awards of Taiwan. However, if the Chinese court does not recognize the judgments of the Republic of China Court, even if the investor has obtained the determined judgment in the Republic of China, it may not be able to execute the judgment. Therefore, the investor may encounter the risk of being unable to successfully claim compensation abroad. The investor should understand the legal risks of purchasing the securities issued by foreign issuers.

3. The impact of changes in interest rates, exchange rates and inflation on the company's profit and loss, and future response measures in the latest year and as of the date of publication of

the annual report:

(1) Interest rate

The interest rate risk for the company mainly relates to its borrowing from the bank, which exposes the company to the risks of cash flow interest rates and the market interest rates. The interest income is derived from bank deposits. Interest expenses are the rates charged for being lent funds. The company's respective interest income from 2016, 2017 and 2018 was NTD 30,943K, NTD 51,205K and 55,539K respectively, and each amount accounts for the ratio of net operating revenue 0.92%, 1.56% and 1.21% respectively. The respective interest expenses of 2015, 2016 and 2017 were NTD 17,244K, NTD 17,277K and NTD 29,168K respectively, and the respective net operating income ratio was 0.51%, 0.53% and 0.64%. These are not high ratios, so the impact of interest rate changes on the company's operation is limited.

Response measures:

The company has been maintaining good relations with the banks and keeping good financial stability and creditability to obtain a better level of interest rate. It's expected that the company's overall operation in the future will not be significantly impacted by interest rate changes. In addition, in order to adopt appropriate response measures that reduce the company's profit and loss impacted by the changes of interest rate, it's essential to keep alert to the changes of interest rate.

(2) Exchange rate

The company was listed on the Taiwan Stock Exchange (TWSE) on November 27, 2013. As a result of changes in the economic environment, the resolution of the Board of Directors changed the company's monomeric functional currency from the United State Dollar (USD) to New Taiwan Dollar (NTD). The company's combined functional currency is Renminbi (RMB).

In addition, all of company's main operating entities are located in Mainland China, as a result, the day-to-day operations of the Renminbi are adopted as a trading currency. Basically, most sales are also RMB-denominated. In 2016, 2017 and 2018, the respective loss caused by currency was NTD 21,876K, NTD 26,348K and NTD 17,617K, and they accounted for a low impact ratio, -2.18%, -3.28% and -1.13% of the current operating profit respectively.

The risk exposures for the company's main operating entities in the current environment of exchange rate fluctuations are the revenues from and purchases of non-functional currencies. The company's royalty income derived from intellectual property and the subsidiaries purchase from Taiwan are transacted in USD. However, the amount of revenue and payment only accounts for a small ratio of the company's cash flow, and the risk of the exchange rate is also relatively low. Additionally, the foreign currency exchange rate adopted is determined by the People's Bank of China in accordance with supply and demand. As the RMB is not yet fully convertible, the remittances of funds outside the territory of Mainland China are subject to the limitation of foreign exchange control imposed by the central government of Mainland China.

Response measures:

- ① Continuously strengthen our financial personnel's concept of hedging (a way for the company to minimize foreign exchange risk) by the means of a real-time online exchange rate system and intensified contacts with financial institution to analyze the movements in exchange rates as a reference for foreign exchange settlement.

- ② Maintain intense contacts with major banks and monitor changes in the Forex (foreign exchange market) at all times to provide the relevant managers with comprehensive information that grasps the movements in exchange rates. In case of processing alternate currency receipts, appropriate adjustments can be made in time.
- ③ As far as possible, use the same currency of sales revenue to pay procurement and other related expenses and achieve an automatic hedging effect.

(3) Inflation

In recent years, European debt has detonated a global financial crisis. In addition to the Mediterranean countries being deeply involved in debt, the EU's top management is resolving the European debt at a rather slow pace and increasingly causing concern about the defaults of these countries with unusually high bond yields that significantly increase the financing difficulties and the easy formation of credit squeezes, as well as a systemic risk of insufficient market liquidity. To solve the economic dilemma, many countries have proposed economic revitalization programs but ended with a widening of the budget deficit in these counties which may cause more concerns about inflation.

To conclude, under the rapid changes in the overall economic environment so far, there's no immediate and significant impact to the company caused by inflation and deflation mentioned above. In particular, the end users of products produced by the company are the general public. The company will keep alert to global economic changes, fluctuations of market prices of raw materials and end products, as well as good interactive relationships with suppliers and consumers. Furthermore, in the face of changes in the global economic environment, the marketing strategy and cost structure will be adjusted by the company at any time in response to the impact of these changes in the overall economic environment caused by inflation and deflation, so as to prevent the company from any significant impacts.

4. The main causes of profit and loss, as well as the future response measures to the company's policies of engaging in high-risk, highly leveraged investments, capital loans to others, endorsements, guarantees and derivative commodity transactions during the most recent year and up to the date of publication of this annual.

- (1) The main causes of profit and loss, as well as the future response measures to the company's policies of engaging in high-risk, highly leveraged investments:

Based on the principle of stability and pragmatic business philosophy, in addition to our focus on the main business, the company has not engaged in high-risk or highly leveraged investment but has taken the principle of prudent conservatism as the financial policy. All investments engaged in are carefully executed after considerate assessments.

- (2) The main causes of profit and loss, as well as the future response measures to the company's policies of engaging in loans to other:

The resolution, "Management Approach for Loans to others", of the Board of Directors serves as the basis for compliance by the company and its subsidiaries engaging in the related business. The company's funds and loans and the cases comply with the provisions of the operation and announcement. There are no funds or loans to other companies other than the merged company during the most recent year and up to the date of publication of this annual report. Overall, there is no significant impact on the profit or loss in the consolidated financial statements.

- (3) The main causes of profit and loss, as well as the future response measures to the company's policies of engaging in endorsement and guarantees.

The resolution, “Management Approach for Endorsement and Guarantees” of the Board of Directors serves as the basis for compliance by the company and its subsidiaries in the related business. There is no endorsement or guarantee between the company and the merged companies and no endorsement or guarantee for companies other than the merged company during the most recent year and up to the date of publication of this annual report. Overall, there is no significant impact on the profit or loss of the consolidated financial statements.

- (4) The main causes of profit and loss, as well as the future response measures to the company’s policies of derivative transactions:

The company and the merged companies have not engaged in derivative transactions during the most recent year and up to the date of publication of this annual report. In the future, depending on the operating condition, the company will assess relevant hedging strategies on a regular basis and follow the “Procedures for the Acquisition or Disposal of Assets” to execute necessary management.

5. The company’s policies of research and development plans and projected investment costs in the future during the most recent year and up to the date of publication of this annual report:

The company dedicates itself to seeking the application of the skin concept, “medicine-oriented, beauty for use” by the means of providing professional skincare solutions to women who are plagued by various skin problems. Through the introduction of advanced technology in the industry and focusing on consumer groups targeted in different market channels, the company will continue to launch new products to broaden the distribution of product lines. In 2018, the Primrose facial cleansing series that applies the patented technology to extract essence of the whole primrose plant. The resultant Primrose Vital-Active Complex activates overwhelming defensive protection. Extending the professional market channel to ecommerce, the company has researched and developed a series of products featuring “trendy”, “highly-effective”, and “instant” to satisfy the demands for “health” and “beauty” from a wider range of consumers. Different products launched through different market channels can optimize the satisfaction of different consumers who have personalized skincare demands.

Considering that the company owns a well-known market channel of beauty chain stores and brand products, we commit to researching and developing a wide range of products that meet the vast number of consumer demands.

- (1) Future development plans

For the company's future R&D plans, please refer to Chapter Five, profiles of “New R&D Products” related to the current business operating status.

- (2) Estimated R&D expense in the future

The respective company’s R&D costs in 2016, 2017 and 2018 were NTD 9,379K, NTD 10,203K and NTD 21,936K respectively and each accounted for 0.28%, 0.31% and 0.48% respectively of the current annual revenue. The company's main R&D center is located in Taiwan, Chlitina Intelligence Ltd., and the R&D personnel for technology transfer and process improvement are working in the Songjian factory situated in Shanghai, Mainland China. At present, the company's R&D is fully directed to professional beauty products, personal skin care products, aromatherapy and spa products, and relevant fields. With the expansion of the R&D scale in the future, the annual R&D costs for 2019 are expected to account for about 1% of annual revenue.

6. The impacts to the company's financial operation caused by the important policies nationwide and worldwide and the law changes, as well as the response measures during the most recent year and up to the date of publication of this annual report:

The State of Incorporation of the company is in the Cayman Islands, and the main operations are in Mainland China. The main economic activity in the Cayman Islands is financial services with an open economy without foreign exchange control. China has become one of the world's major economic systems. Although the economic environment has tended to be open, outward fund remittance is still subject to the foreign exchange control of the Chinese government. Consequently, in the future, if there are changes of policies, taxation, economic status or interest rate policy made by the Chinese government, or the occurrence of any political, diplomatic or social events, the company's business may be impacted. The company complies with important policies nationwide and worldwide, as well as the legal regulations to execute each business operation. Also, the company has been keeping alert to the movements in the development of important policies nationwide and worldwide in order to adopt appropriate response measures to the changes in the market environment in a timely manner.

7. The impacts to the company's financial operations caused by the changes in technology and industry, as well as the response measures during the most recent year and up to the date of publication of this annual report:

With the rapid changes in modern technology, in addition to grasping movements in the market and the trend of improvement in technology, the company's research focuses on all kinds of raw materials and skin care products in order to develop skin care products that are best suitable for the skin and physical conditions of Asian weather. We provide the best quality products and services to consumers to expand the market share and better control the changes in the industrial environment. At present, there are no major technological changes or industrial changes that significantly impact the company's financial business during the most recent year and up to the date of publication of this annual report.

8. The impacts to the company's crisis management caused by the change of corporate image, as well as the response measures during the most recent year and up to the date of publication of this annual report:

The company has been upholding a steady and practical spirit in its enterprise management. Ever since the establishment, we have been progressively strengthening the internal management, improving quality and efficiency. There is no change in the company's crisis management caused by the changes of corporate image. In the future, in case the change of corporate image impacts the company's crisis management and leads to the company not being able to implement timely measures of coping responses to a boom or changes in the market, as well as the adverse effects to the company's business operation,

the company will put more dedication to maintain corporate governance by insisting in transparent operation and strengthening the capacity of the management team to return good results to the shareholders and the public, so as to fulfill the enterprise's social responsibility as well as intensify the company's image of reliability.

9. Expected benefit(s), possible risk(s) and response action(s) of merger and acquisitions during the most recent year and up to the date of publication of this annual report.

The Company has no merger and acquisitions during the most recent year and up to the date of publication of this annual report.

10. Expected benefit(s), possible risk(s), and response action(s) of the expansion of factory

plants during the most recent year and up to the date of publication of this annual report.

The Company had no plans for expansion of its factory plants during the most recent year and up to the date of publication of this annual report.

11. The risks of sales and purchasing concentration, as well as the response measures during the most recent year and up to the date of publication of this annual report:

- (1) Risks of purchasing concentration

There are numerous suppliers providing the main raw materials adopted by the company, including chemical raw materials, semi-finished products and packaging materials. In order to maintain negotiation flexibility in the price of raw materials, as well as ensure the sources of raw materials, the group has signed a one-year supply contract with several suppliers. Retaining several suppliers as the sources of raw materials and keeping good long-term collaborative relationships can ensure the stability of supply sources.

In addition, since the business operations base in Taiwan made direct purchases from Chaomei Biotech Co., it resulted the company's net purchase ratio of Chaomei at more than 10%. Expect for this case, the net purchase ratio of the other suppliers was controlled below 10% for the two years. Therefore, there's no significant risk of purchasing concentration in the company.

- (2) Risks of sales concentration

The company's business is mainly operated through the chain management system that offers professional beauty care services and product sales. As a result, most of the top ten customers in sales of 2017 and 2018 are the company's franchise stores. In recent years, the expansion of the company's franchise stores has been growing steadily. And, this successful performance has contributed to an increased number of sales consumers but disperses the consumers. That is the cause for the company's ratio of net sales to single consumers in 2018 being below 5%. Therefore, the company does not have the risks of sales concentration.

12. Effect, risk, and response action associated with large transfers or changes in shareholdings by directors, supervisors or major shareholders holding over 10% during the most recent year and up to the date of publication of this annual report

The company is an investment holding company established on July 3rd, 2012 in the Cayman Islands. Ever since its establishment, there has been no substantial transfer or replacement of shares by directors, supervisors, or major shareholders holding over 10%.

13. Effect, risk, and response action caused by the changes of the right to manage the Company during the most recent year and up to the date of publication of this annual report.

The Company has no changes of the right to manage during the most recent year and up to the date of publication of this annual report. The company has strengthened the governance measures and introduced independent directors in order to enhance the overall protection of shareholder's rights. The day-to-day operation of the company mostly relies on professional managers. At present, our strong professional managers team has had a considerable degree of contribution to the company's operating performance. In the future, the support from the shareholders can be continued. Therefore, if there are any changes in the rights of business operation, there is no significant negative impact to company's management and operating advantages.

14. Litigation and non-litigation matters

(1) Regarding the company's cases of litigation, non-litigation or administrative disputes which have been determined: Any of the facts which may have a significant impact on the shareholder's equity or the price of the securities that should be disclosed, including the amount of the subject matter, the date of commencement, the main lawsuits parties and the present ongoing situation during the most recent year and up to the date of publication of this annual report: None.

(2) Company's directors, supervisors, general managers, substantive principals, major shareholders with a shareholding ratio of over 10% and subordinate companies regarding the company's cases of litigation, non-litigation or administrative disputes which have been determined, or any of the facts which may have a significant impact on the shareholder's equity or the price of the securities that should be disclosed, including the amount of the subject matter, the date of commencement, the main lawsuits parties and the present ongoing situation during the most recent year and up to the date of publication of this annual report: None.

15. Other important risk(s) and response action(s) during the most recent year and up to the date of publication of this annual report.

(1) Risks of damage to the brand image:

As a cosmetic skin care chain brand that directly faces a vast group of consumers, the company's brand image is crucial. However, with the company's continuous business operation and expansion, there are risks to the company's product, such as counterfeit or malicious attacks. There must be a certain degree of negative effect to company's image and interest. If the company's brand image and other rights are violated or the company's reputation suffers malicious slander, the company will adopt the legal method, which might consume a certain amount of the company's capacity of finance, material and manpower and cause a negative effect on the company's standard operation. The company's Clio Brand obtained the affirmation by China Well-Known Trademarks. Whoever counterfeits it will have an aggravated criminal responsibility in order to highlight the government's protection for Clio brand, and thus help with the reduction of counterfeited products and the risks of damage to brand image.

(2) Risks caused by the turnover of professional beauticians

Professional beauticians are the mainstay of beauty salons, it takes two years to complete the educational training. However, due to the high turnover rate in the overall environment, the skills of beauticians vary from one another. In addition, due to fierce market competition, it's easy to cause the high turnover rate of professional beauticians.

(3) Risks of franchise store management

The advantage of the franchise is speed of brand penetration, as well as the relatively low threshold. However, the disadvantage lies in a strong sense of dependence on the company's headquarters and the concerns of the slack occurrence in operation and sales. The level of difficulty in management is slightly increased. For the effective management of the vast number of chain stores extensively distributed in Chinese cities at all levels, in addition to the management of the various branches in each province, we will include a supervision audition, on-site training, promotion and counseling, and more intensified control of many franchise stores by establishing a perfect and sound system and norms. Upon joining, they are required to sign contracts with the company including non-compete clauses. Also, the company will assess the performance of each store by visiting from time to time in order to

progressively control the franchise stores and prevent vicious competition and other irregularities, so as to maintain the company's goodwill and competitiveness. Although the company has established a perfect management system and is committed to the control of franchise stores, without timely discipline and improvement, there might be an adverse impact to the company's goodwill and reputation.

(4) Risks of price fluctuation and operating costs

As a result of the company's products advertising natural plant extracts, the main raw materials including rose vanilla pollen, seabed algae, vitamins, amino acids and all kinds of extract from precious plants, the origin of multiple characteristic raw materials is vulnerable to climate impact which may lead to an increase of production costs. Besides, the product packaging materials which include paper packaging, plastic packaging, and glass packaging, the cost of packaging materials is also affected by the fluctuation of crude oil prices.

(5) Risks of leakage of raw material formula

The main products of our company use a unique raw material formula for production. The core technology is achieved through repeated scientific experiments and research and long-term production practice. Due to the company's core technical personnel mastering some of the confidential formulas, although the company's which produce the raw material formulas have been very strict with protection, however, if a competitor or other third party obtains the exclusive formula of the company and develops or produces a product with similar formulation, it may affect the financial status and the operating condition of the company to a certain degree. Never the less, for consumers' choice of beauty products, brand trust is considerably related to the reliability. Even if the function and raw materials are almost identical, due to the trust of different brands, consumers will still choose the reliable brand products, which relatively reduces the unilateral risk regarding the leakage of raw material formulas.

(6) Risks of shareholder's rights and interests protection

There are many differences between the Cayman Islands Companies Law and the Republic of China Company Law. Although the company has amended the articles of association in compliance with the "reference paradigm in shareholder protection" made by the Taiwan Stock Exchange Corporation (TWSE), there are still many legal differences between the two countries regarding ordinances of company operation. As a result, investors cannot secure their application of legal rights to invest in a Cayman company the same as a Taiwanese company. Investors should fully understand and consult with experts about whether they are able to acquire shareholder protection when investing in a Cayman company.

(7) Risks of information security protection

In order to ensure information security and information network high availability, in recent years, in accordance with ISO/IEC 27001:2005 "Information Security Management System Requirements" as well as ISO/IEC 17799:2005 "Information Security Management Practical Rules" requirements, the company has continuously reinforced its security systems and established an internal information security team. In addition to establishing an internal loop management system, based on the diversity of its business activities and transaction models, as well as its needs in terms of security and management, the company has issued a number of related software and hardware. The information department and the audit department regularly review the implementation of all information security systems, in order to minimize security risks.

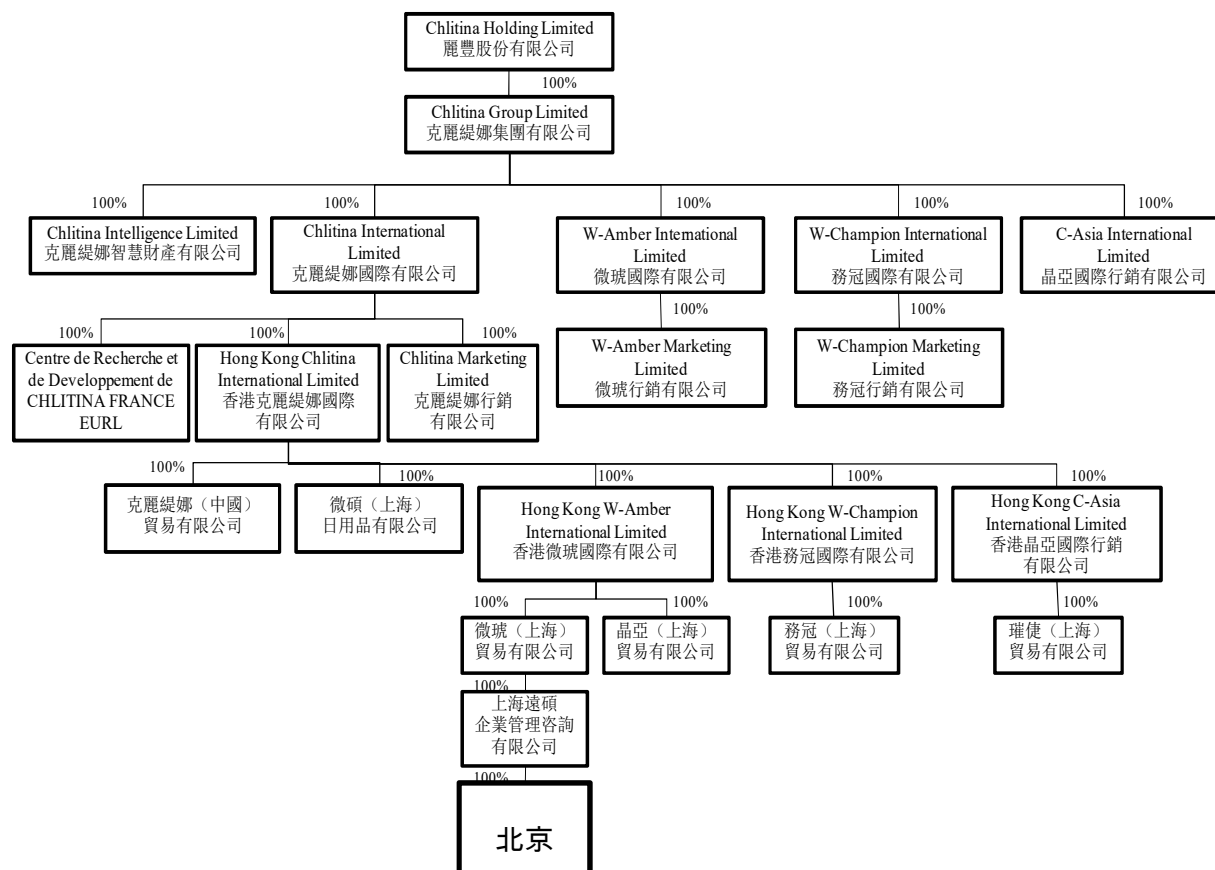
VII. Other Significant Events: None.

Eight. Special Items

I. Information on Affiliates:

1. Organizational chart of affiliates:

December 31, 2018



Note: Chlitina Intelligence Limited, Chlitina Marketing Limited and Chlitina (China) Trade Limited all have branches. Given the considerable number of branches, they have not been showed in the above chart. See the beginning of the document for the branch information.

2. Relationship, mutual shareholding ratios, number of shares, and actual invested capital between affiliated enterprises

December 31, 2018

Name of affiliated enterprise	Relationship with the Company	Holding by the Company			Holding the Company by the affiliated enterprise		
		Shareholding Ratio	Number of shares (shares)	Investment amount (NT) (Note)	Shareholding Ratio	Number of shares (shares)	Investment amount (NT)
Chlitina Group Limited	Subsidiary	100%	2,116,707,348	USD 21,167,074	-	-	-
Chlitina International Limited	sub-subsidiary	100%	17,000,001	USD 17,000,001	-	-	-
Chlitina Intelligence Limited	sub-subsidiary	100%	1	USD 1	-	-	-
W-Amber International Limited	sub-subsidiary	100%	1,150,000	USD 1,150,000	-	-	-
W-Champion International Limited	sub-subsidiary	100%	930,000	USD 930,000	-	-	-
Jingya International Marketing Limited	sub-subsidiary	100%	20,000	USD 20,000	-	-	-
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	Third-tier subsidiary	100%	500	Euro Dollars NTD 5,000	-	-	-
Hong Kong Chlitina International Limited	Third-tier subsidiary	100%	62,150,001	HK\$ 62,150,001	-	-	-
Chlitina Marketing Limited	Third-tier subsidiary	100%	11,622,882	USD 11,622,882	-	-	-
Hong Kong Jingya International Marketing Limited	Fourth-tier subsidiary	100%	2,300,000	USD 2,300,000	-	-	-
Hong Kong W-Champion International Limited	Fourth-tier subsidiary	100%	2,950,000	USD 2,950,000	-	-	-

Name of affiliated enterprise	Relationship with the Company	Holding by the Company			Holding the Company by the affiliated enterprise		
		Shareholding Ratio	Number of shares (shares)	Investment amount (NT) (Note)	Shareholding Ratio	Number of shares (shares)	Investment amount (NT)
Hong Kong W-Amber International Limited	Fourth-tier subsidiary	100%	92,800,000	HK\$ 92,800,000	-	-	-
W-Amber Marketing Limited	Third-tier subsidiary	100%	1,150,000	USD 1,150,000	-	-	-
W-Champion Marketing Limited	Third-tier subsidiary	100%	930,000	USD 930,000	-	-	-
Chlitina (China) Trade Limited	Fourth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 8,570,000	-	-	-
Weishuo (Shanghai) Daily Product Limited	Fourth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 2,150,000	-	-	-
Weihu(Shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 8,000,000	-	-	-
Jingya (Shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 200,000	-	-	-
Wuguan (Shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 2,000,000	-	-	-
Shanghai Yuanshuo Management Consulting Limited	Sixth-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 30,000,000	-	-	-
Beijing Yapulide Medical Cosmetology Clinic Limited (Changed from	Seventh-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 19,000,000	-	-	-

Name of affiliated enterprise	Relationship with the Company	Holding by the Company			Holding the Company by the affiliated enterprise		
		Shareholding Ratio	Number of shares (shares)	Investment amount (NT) (Note)	Shareholding Ratio	Number of shares (shares)	Investment amount (NT)
Beijing Aobaojia Medical Cosmetology Clinic Limited)							
Cuijie (Shanghai) Trading Co., Ltd.	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	US Dollars 200,000			

Note: Paid-in capital.

Major business of the Company and each subsidiary (branch) as below:

- (1) The Company (Chlitina Holding Limited) is an offshore holding company, with no actual economic activities.
- (2) Chlitina Group Limited, Chlitina International Limited, W-Amber Marketing Limited and W-Champion International Limited are investment holding companies.
- (3) Chlitina Intelligence Limited is an investment holding and intellectual property holding company.
- (4) The main items of operation of the Centre de Recherche et de Developpement de Chlitina France Eurl. are research and development of cosmetic skincare products.
- (5) Hong Kong Chlitina International Limited is an investment holding company, whose main items of operations are the marketing of skincare products.
- (6) Chlitina Marketing Limited is an investment holding and marketing of skincare products R&D company.
- (7) W-Amber Marketing Limited, W-Champion Marketing Limited and Jingya International Marketing Limited are no actual operations at present.
- (8) The main items of operations of Chlitina (China) Trade Limited are the marketing of skincare products and health products distribution.
- (9) The main items of operations of Weishuo (Shanghai) Daily Product Limited are the production and marketing of skincare products distribution.
- (10) Hong Kong W-Amber International Limited, Hong Kong C-Asia International Limited and Hong Kong W-Champion International Limited are investment holding companies.
- (11) The main items of operation of Weihu (Shanghai) Trade Limited are investment holding, marketing of skincare products and health food products.
- (12) The main items of operations of Jingya (Shanghai) Trade Limited are marketing of skincare products and health food products distribution.
- (13) The main items of operations of Wuguan (Shanghai) Trade Limited are marketing of skincare products and health food products distribution.
- (14) The main items of operation of Shanghai Yuanshuo Management Consulting Limited

are investment holding and enterprise management consulting.

- (15) The main items of operation of Beijing Yapulide Medical Cosmetology Clinic Limited are medical cosmetology services.
- (16) The main items of operations of Cuijie (Shanghai) Trading Co., Ltd. are marketing of health products and daily necessities distribution.

It is presumed according to Article 369-3 of the Company Law that the control and affiliation relationship exists: Pursuant to the aforesaid organizational structure, the affiliated enterprises of the Company are the subsidiaries of the Company.

3. Information of the directors, supervisors and general managers of affiliated enterprises

December 31, 2018

Company name	Title	Name of individual or representative(s)	Shares held	
			Number of Shares (share)	Holding ratio %
Chlitina Group Limited	Director	Chen, Pi-Hua	2,116,707,348	100.00
Chlitina International Limited	Director	Chen, Pi-Hua	17,000,001	100.00
Chlitina Intelligence Limited	Director	Chen, Pi-Hua	1	100.00
W-Amber International Limited	Director	Chen, Pi-Hua	1,150,000	100.00
W-Champion International Limited	Director	Chen, Pi-Hua	930,000	100.00
Jingya International Marketing Limited	Director	Chen, Pi-Hua	20,000	100.00
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	Director	Chen, Pi-Hua	500	100.00
Hong Kong Chlitina International Limited	Director	Chen, Pi-Hua	62,150,001	100.00
Chlitina Marketing Limited	Director	Chen, Pi-Hua	11,622,882	100.00
Hong Kong Jingya International Marketing Limited	Director	Chen, Pi-Hua	2,300,000	100.00
Hong Kong W-Champion International Limited	Director	Chen, Pi-Hua	2,950,000	100.00
Hong Kong W-Amber International Limited	Director	Chen, Pi-Hua	92,800,000	100.00
W-Amber Marketing Limited	Director	Chen, Pi-Hua	1,150,000	100.00

W-Champion Marketing Limited	Director	Chen, Pi-Hua	930,000	100.00
Chlitina (China) Trade Limited	Executive director/General manager Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
Weishuo (Shanghai) Daily Product Limited	Executive Director Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
Weihu (Shanghai) Trade Limited	Executive Director Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
Jingya (Shanghai) Trade Limited	Executive Director Supervisor	Chen, Pi-Hua Chen, Pei-Wen	Note	100.00
Wuguan (Shanghai) Trade Limited	Executive Director Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
Shanghai Yuanshuo Management Consulting Limited	Executive Director Supervisor	Chen, Pi-Hua Chao, Cheng-You	Note	100.00
Beijing Yapulide Medical Cosmetology Clinic Limited (Changed from Beijing Aobaojia Medical Cosmetology Clinic Limited)	Executive director, General manager, Supervisor	Ying, Ching-Lan Chen, Ming-Chieh	Note	100.00
Cuijie (Shanghai) Trading Co., Ltd.	Executive director/General manager Supervisor	Chen, Pi-Hua Chao, Cheng-You	Note	100.00

Note: Limited company, no shares issuance.

4. Operating profile of affiliated companies

December 31, 2018

Invested enterprise	Main Operations	Invested capital (Note 1)	Investment shares		Net value of shares rights (NTD 1,000)	Market price (Note 3)	Accounting method	2018 ROI		Amount of company shares held
			Number of Shares (share)	Shareholding ratio %				Investment Profit and loss (NTD 1,000)	Distribution Dividends (NTD 1,000)	

Chlitina Group Limited	Investment holdings.	US Dollars 21,167,074	2,116,707,348	100.00	4,972,224	-	Equity method	1,286,059	US Dollars 6,240 (NTD 1,000)	None
Chlitina International Limited	Investment holdings.	US Dollars 17,000,001	17,000,001	100.00	4,814,508	-	Equity method	1,167,571	US Dollars 3,300 (NTD 1,000)	None
Chlitina Intelligence Limited	Intellectual property rights Holding company	US Dollars 1	1	100.00	155,699	-	Equity method	118,678	US Dollars 2,940 (NTD 1,000)	None
W-Amber International Limited	Investment holdings.	US Dollars 1,150,000	1,150,000	100.00	538	-	Equity method	(86)	-	None
W-Champion International Limited	Investment holdings.	US Dollars 930,000	930,000	100.00	160	-	Equity method	(83)	-	None
Jingya International Marketing Limited	Investment holdings.	US Dollars 20,000	20,000	100.00	262	-	Equity method	(37)	-	None
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	Cosmetic skincare products R&D	Euro Dollars NTD 5,000	500	100.00	-	-	Equity method	-	-	None
Hong Kong Chlitina International Limited	Investment holding and marketing of cosmetic skincare products	Hong Kong Dollars (HK) NTD 62,150,001	62,150,001	100.00	4,606,513	-	Equity method	1,175,435	US Dollars 3,300 (NTD 1,000)	None

Chlitina Marketing Limited	Investment holding, marketing of cosmetic skin care products.	US Dollars 11,622,882	11,622,882	100.00	177,394	-	Equity method	(6,642)	-	None
Hong Kong Jingya International Marketing Limited	Investment holdings.	US Dollars 2,300,000	2,300,000	100.00	65,015	-	Equity method	(3,926)	-	None
Hong Kong W-Champion International Limited	Investment holdings.	US Dollars 2,950,000	2,950,000	100.00	61,603	-	Equity method	3,054	-	None
Hong Kong W-Amber International Limited	Investment holdings.	Hong Kong Dollars (HK) NTD 92,800,000	92,800,000	100.00	260,174	-	Equity method	(47,798)	-	None
W-Amber Marketing Limited	Investment holdings.	US Dollars 1,150,000	1,150,000	100.00	250	-	Equity method	(37)	-	None
W-Champion Marketing Limited	Investment holdings.	US Dollars 930,000	930,000	100.00	160	-	Equity method	(83)	-	None
Chlitina (China) Trade Limited	Marketing of skin care products and health food products	US Dollars 8,570,000	Note 2	100.00	2,952,932	-	Equity method	1,165,701	-	None
Weishuo (Shanghai) Daily Product Limited	Production and marketing of skin care products	US Dollars 2,150,000	Note 2	100.00	1,245,031	-	Equity method	91,780	-	None

	are products									
Wei hu(Shanghai) Trade Limited	Investment holding, marketing of skin care products and health food products	US Dollars 8,000,000	Note 2	100.00	139,551	-	Equity method	(48,042)	-	None
Jingya (Shanghai) Trade Limited	Marketing of skin care products and health food products	US Dollars 200,000	Note 2	100.00	5,901	-	Equity method	145	-	None
Wuguan(Shanghai) Trade Limited	Marketing of skin care products and health food products	US Dollars 2,000,000	Note 2	100.00	31,385	-	Equity method	2,470	-	None
Shanghai Yuanshuo Management Consulting Limited	Enterprise management consulting and invest	RMB 30,000,000	Note 2	100.00	91,019	-	Equity method	(30,015)	-	None

	tment holdings									
Beijing Yapulide Medical Cosmetology Clinic Limited (Changed from Beijing Aobaojia Medical Cosmetology Clinic Limited)	Medical cosmetology service	RMB 19,000,000	Note 2	100.00	68,334	-	Equity method	(23,516)	-	None
Cuijie (Shanghai) Trading Co., Ltd.	Marketing of Health products and daily necessities distribution	US Dollars 200,000	Note 2	100.00	5,974	-	Equity method	204	-	None

Note 1: Expressed at the paid-in capital.

Note 2: Limited company, no shares issuance.

Note 3: Since the shares held have not been traded in an open market, the market price is not available.

II. Handling of private securities in the most recent year (2018) and as of the issue date of the annual reports: None.

III. Subsidiaries' holding or disposal of the Company's equities in the most recent year (2018) and as of the issue date of the annual reports: None.

IV. Other necessary supplementary notes: note to the significant difference with China’s provisions on the protection of shareholders’ interests.

Given the inconsistency between the laws of Cayman Islands and the laws of the Republic of China, the “Checklist of protections to shareholders’ interests at the place where a foreign issuer incorporates” (“protections to shareholders’ interests”) issued by Taiwan Stock Exchange Corporation may not apply to the Company. The table below shows that difference between the provisions of the Company’s articles of association and the protections to shareholders’ equities due to the Cayman laws, and the provisions of the articles of association of the Company.

Differences	Cayman laws and notes	Provisions of the articles of association and notes
<p>The term “special resolution” means the resolution voted for by shareholders representing over two-thirds of the total shares issued by the company and with over half of the votes of the shareholders present. As for companies issuing shares to the public, if the total shares represented by the shareholders present are less than the aforesaid amount, a special resolution may not be adopted unless the shareholders representing over half of the total shares offered are present and such resolution is voted for by over two-thirds of the votes held by the shareholders present.</p>	<p>According to the Company Law of Cayman Islands, the term “special resolution” means the resolution adopted, which is voted for by “over two-thirds” of the votes held by the shareholders present. The legal quorum of a general meeting shall be the number of shareholders present which represent over half of the total shares offered by the company.</p>	<ol style="list-style-type: none"> 1. According to the notes stated in the Letter (Tai-Zheng-Shang-Zi No. 0991701319) issued by Taiwan Stock Exchange Corporation on April 13, 2010, resolutions on proposals involving significant equities of shareholders and the number of votes shall be subject to the presence of shareholders presenting over half of the total shares issued and consent of shareholders representing over two-thirds of the votes held by the shareholders present, as well as the requirements of the Cayman laws and the company law of our country on votes to special resolutions. 2. Article 31 and 2 (1) of the articles of association of the Company stipulates that the term “special resolution” means the resolution adopted at the general meeting attended by shareholders representing by over half of the voting shares issued by

Differences	Cayman laws and notes	Provisions of the articles of association and notes
		<p>the Company and voted for by the shareholders representing more than two-thirds of the votes held by the shareholders present, as well as complying with the provisions of the Cayman laws and the Company Law of our country on votes to special resolutions of a company.</p>
<ol style="list-style-type: none"> 1. Where a company reduces its capital not according to resolutions of the general meeting, the company may not reduce its shares; the capital reduction shall be done in proportion to the shares held by shareholders. 2. Any company reducing its capital shall return the stock capital with the properties other than cash; the properties returned and the amount offset shall be subject to the resolutions of the general meetings, and consent of the shareholder receiving such property. 3. The board of directors shall submit the value of the aforesaid property and the amount offset to accountants of the Republic of China for verification prior to the general meeting. 	<p>According to the compulsory provisions on capital reduction in Articles 14 to Article 18 of the Company Law of the Cayman Islands, a company may not reduce its capital unless agreed by the general meeting through special resolutions or permitted by a court of the Cayman Islands through orders.</p>	<p>Since the Company Law of the Cayman Islands has strict requirements on the capital reduction of companies, and relevant provisions belong to the compulsory ones, the capital reduction cannot be done unless the company modifies the articles of association. After confirming with lawyers in Cayman Islands, Article 18-1 of the articles of association of the Company is modified to repurchasing shares in proportion to the shareholding proportion of the shareholders and canceling such share repurchase means to come up to the requirements stated in the most left column, which has no material difference with the content of the provision.</p>

Differences	Cayman laws and notes	Provisions of the articles of association and notes
<p>Where the Company intends to hold a general meeting beyond the territory of the Republic of China, it shall apply to the Stock Exchange for approval within 2 days upon resolutions of the board of directors or the date when the shareholders obtain the convening permit from competent authority.</p>	<p>The Company Law of the Cayman Islands has not stipulated that the general meetings must be held within the territory of Cayman Islands.</p>	<p>Article 25 of the articles of association of the Company stipulates that “during the listing period, the general meetings of the Company shall be held within the territory of the Republic of China”. Therefore, there are no other provisions on cases in which “the general meetings will be held beyond the territory of the Republic of China”.</p>
<p>Any shareholder holding more than 3% of the shares offered for more than one year shall state the proposal and reasons in writing and require the board of directors to hold interim meetings of shareholders. Where the board of directors fails to issue a notice on the meeting convention within 15 days as of the date when such request is filed, the shareholder may hold it independently provided that it obtains consent from competent authority.</p>	<p>There is no such competent authority for approving the convention of general meetings in Cayman Islands.</p>	<p>According to the Letter (Tai-Zheng-Shang-Zi No. 0991701319) issued by Taiwan Stock Exchange Corporation on April 13, 2010, a foreign issuer, under the premise no violation of the laws of the place of incorporation, may delete the part from “minority shareholders may request for the convention of interim meetings of shareholders to competent authority approving the convention” in the articles of association. According to Article 26 of the articles of association of the Company, any shareholder holding over 3% of the total shares issued by the Company for more than one year may state the proposed affairs and reasons in writing and require the board of directors to hold interim meeting of shareholders. Where the board of directors fails to issue a notice on the meeting convention within 15 days upon receipt of such request, the shareholder filing such</p>

Differences	Cayman laws and notes	Provisions of the articles of association and notes
		request may hold the general meetings independently. The aforesaid Article 26 of the articles of association complies with the provision on the most left column, that is, when the board of directors fails to issue notices for convention of a meeting of shareholders according to the written request, the shareholder filing such request may hold the meeting of shareholders without consent of competent authority.
When the voting rights are to be exercised in writing or electronic means, such means of exercise shall be expressly provided in the notice to the shareholders' meeting. A shareholder who exercises voting rights in writing or electronic means is deemed to have participated in the shareholders' meeting in person but shall be deemed to have waived the right in the occasional (extemporaneous) motions and an amendment to an originally proposed issue.	The Company Law of the Cayman Islands stipulates that the voting right may be exercised personally or by entrusting a proxy. Cayman lawyers are of the opinion that exercise of the voting right in writing or electronically is different from the presence in person defined in the Company Law of Cayman Islands, and shall not be deemed as "having attended the general meeting personally", and shall be deemed as having appointed the Chairperson of the general meeting as the proxy.	Article 46 of the articles of association of the Company stipulates that shareholders exercising the voting power in writing or electronically shall be deemed as having appointed the Chairperson of the general meeting to serve as their proxy; such appointment shall not be deemed as the power of attorney defined in the provisions on listing (OTC). There is no material difference in effect of the two.
After a shareholder exercises voting rights in writing or electronic means, if he or she intends to participate in the shareholders' meeting in person, he or she shall revoke the expression of intent mentioned in the preceding paragraph in the means same as that	The Company Law of the Cayman Islands stipulates that the voting right may be exercised personally or by entrusting a proxy.	As stipulated in the later paragraph of Article 47 (2) of the Company's articles of association, any shareholder failing to withdraw the power of attorney and attending the general meetings personally, in principle, shall still have the right to attend the general

Differences	Cayman laws and notes	Provisions of the articles of association and notes
<p>used for exercise of voting rights in writing or electronic means two days prior to the date scheduled for the shareholders' meeting. In the event that he or she fails to revoke within the specified time limit, he or she shall still exercise voting rights in writing or electronic means.</p>		<p>meeting personally and exercise the voting right, which shall be deemed as its cancellation of the appointment which appoints the Chairperson as the proxy unless such prior cancellation of notice is irrevocable due to the accompanying interests or other reasons stipulated in the Cayman laws. The two vary from each other in the effect of overdue cancellation, but have no material difference in the protection of shareholders 'interests.</p>
<p>Relevant provisions of the "Rules for Use of Power of Attorney in General Meetings of Publicly Listed Companies", such as the entrusted solicitor, manner of solicitation, solicitation announcement and restrictions, etc.</p>	<p>Cayman lawyers said that the laws of Cayman Islands do not have any equivalent concept to the solicitation of the power of attorney.</p>	<p>According to the notes stated in the Letter (Tai-Zheng-Shang-Zi No. 0991701319) issued by Taiwan Stock Exchange Corporation on April 13, 2010, foreign issuers may be allowed to incorporate the general clause in the articles of association, which is applicable to the "Rules for Use of Power of Attorney in General Meetings of Publicly Listed Companies". Therefore, according to Article 57 of the Company's articles of association, the use and solicitation of the power of attorney shall be handled according to the Cayman laws and the listing (OTC) provisions, especially the "Rules for Use of Power of Attorney in General Meetings of Publicly Listed Companies" , has already complied with the contents stipulated in the most left column.</p>

Differences	Cayman laws and notes	Provisions of the articles of association and notes
<p>After a proxy is served to the Company, if a shareholder decides to participate in the shareholders' meeting in person or to exercise voting rights in writing or through electronic means, he or she shall inform the Company in writing to withdraw the proxy two days prior to the date scheduled for the shareholders' meeting. In the event that such shareholder is overdue in withdrawing the notice, the voting rights exercised by the delegated proxy shall prevail.</p>	<p>The Company Law of the Cayman Islands stipulates that the voting right may be exercised personally or by entrusting a proxy.</p>	<p>As stipulated in the later paragraph of Article 53 of the Company's articles of association, any shareholder failing to withdraw the power of attorney and attending the general meetings personally, in principle, shall still have the right to attend the general meeting personally and exercise the voting right, which shall be deemed as its cancellation of the appointment which appoints the Chairperson as the proxy unless such prior cancellation notice is irrevocable due to the accompanying interests or other reasons stipulated in the Cayman laws. The two vary from each other in the effect of overdue cancellation, but have no material difference in the protection of shareholders' interests.</p>
<p>The Company shall set an audit committee or a supervisor. The audit committee shall consist of all independent directors and at least three members, including a convener; moreover, at least one of them shall have accounting or financial expertise. Resolutions of the audit committee shall be subject to consent of over half of all members of the audit committee.</p>	<p>The Company Law of the Cayman Islands has not required a company to set a supervisor or an audit committee.</p>	<p>According to Article 85 (1) and (2) of the articles of association of the Company, the Company shall set the audit committee during the listing period. Where the Company intends to set an audit committee, the audit committee shall consist of all independent directors and at least three members, including a convener; moreover, at least one of them shall have accounting or financial expertise. The Company has not set a supervisor, but has set the audit committee during the listing period as stipulated previously, which complies with the</p>

Differences	Cayman laws and notes	Provisions of the articles of association and notes
		provisions in the most left column.

Differences	Cayman laws and notes	Provisions of the articles of association and notes
<p>In case of listing termination of the first listed company due to elimination after combination, categorical assignment, equity transfer or split, and survival company, assignee company or existing or newly established company is not a listed (OTC) company, it shall be subject to consent of shareholders representing more than two-thirds of the total shares issued by the first listed company.</p>	<p>The Company Law of the Cayman Islands does not have such provisions.</p>	<p>According to Article 38 (b) and (e) of the Company's articles of association, where the Company intends to attend a combination, categorical assignment, equity transfer or split, it shall be subject to the special resolutions passed by shareholders representing over two-third of the voting rights held by the shareholders present, see the notes below for the difference with the number of shares held by shareholders stipulated in the most left column, the effect in the most left column may also be accomplished. Therefore, there is no material difference with contents of the provisions:</p> <ol style="list-style-type: none"> 1. The delisting of a first listed company due to M&A can be divided into three cases, namely, (1) delisting for merger with other listed or OTC company; (2) applying for listing termination and (2) compulsory termination of listing. Here, the listing termination of the first listed company due to elimination after combination, categorical assignment, equity transfer or split shall belong to the aforesaid application for listing termination. 2. According to Paragraph 1, Article 145 of the Securities Exchange Act, the issuer of listed securities shall apply for the listing

Differences	Cayman laws and notes	Provisions of the articles of association and notes
		<p>termination as stipulated in the listing contract; the Stock Exchange will develop the “Procedures of Taiwan Stock Exchange Corporation for Listed Companies to Apply for Terminating the Listing of Securities” (the “Listing Termination Procedures”) according to the aforesaid article. According to Article 165-1 of the Securities Exchange Act, the first listed company may apply for the termination of listing.</p> <p>3. According to Article 2 of the aforesaid procedures for listing termination, the application for terminating the listing of securities of a listed company shall be subject to the resolutions of the board of directors or general meetings; moreover, the shares held by the directors or shareholders approving such termination shall reach more than two-thirds of the total shares offered. Accordingly, where any first listed company intends to apply for listing termination, it shall be subject to the consent of shareholders holding more than two-thirds of the total shares offered.</p>

Nine. In the most recent year and as of the issue date of the annual reports, where any event having significant impact on the shareholders' interests or the securities price as stipulated in Subparagraph 2, Paragraph 2, Article 36 of the Securities Exchange Act, such situations shall be listed one by one: None.

Chlitina Holding Limited

Chairperson: Chen, Pi-Hua