

**Stock Code: 4137**

# **Chlitina Holding Limited**

## **2019 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 May 7, 2020**

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](mailto:ir@chlitinaholding.com)

Deputy Spokesperson:

Name: MARCOUT Laurence

Title: Manager, Chairman Office

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

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

(1) 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. Subsidiaries:

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 Website: <http://www.chlitina.com>

CHLITINA FRANCE EURL  
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 Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (886)2-27238666
Name: W-ChampionMarketing Limited Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (886)2-27238666
Name: Yong Li Trading Company Limited Address: 129F / 95L Ben Van Don, Ward 8, District 4, Ho Chi Minh City, Vietnam	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (886)2-27238666
Name: HuapaoSdn. Bhd. Address: Level 02.02A(I), Menara KeckSeng 203 Jalan BukitBintang55100 Kuala Lumpur W.P. Kuala Lumpur Malaysia	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (886)2-27238666
Name: Hong Kong W-Amber International Limited Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (852)-23763068
Name: Hong Kong W-Champion International Limited Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (852)-23763068
Name: Hong Kong C-Asia International Limited Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (852)-23763068
Name: Hong Kong Crystal International Services Limited Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (852)-23763068
Name: Chlitina (China) Trade Limited Address: Building F, Room 1201, 1033 Zhaojiabang Road, Xuhui District, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Weishuo (Shanghai) Daily Product Limited Address: 1F and 3F of Building 2, No.58, Jingxi Rd., Songjiang Industrial Park, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-57075707
Name: W-Champion (Shanghai) Trade Limited Address: Site B81, 2F, Building 2, No.251, Jihying S. Rd., Pilot Free Trade Zone, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Shanghai Zhemei Vocational Training Co., Ltd. Address: No.2, Alley 100, Jingxi Rd., Songjiang Industrial Park, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-33528811
Name: W-Amber (Shanghai) Trade Limited Address: Room 213, No.1, Alley 180, Shaanxi S. Rd., Xuhui District, Shanghai City, China	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (86)21-22201388
Name: Jingya (Shanghai) Trade Limited Address: Room 315, 3F, No.238 Shaanxi S. Road, Xuhui District, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388

Name: Lishuo Biotechnology (Shanghai) Co., Ltd. Address: Room 366 of Building 2, No.692, Yongjia Rd., Xuhui District, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Shanghai Yuanshuo Management Consulting Limited Address: Room 320, 9F, No.583 Lingling Rd., Xuhui District, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Beijing Yapulide Medical Cosmetology Clinic Limited. (Changed from Beijing Aobaojia Medical Cosmetology Clinic Limited.) Address: Room 107, Building No.23, Tianshuiyuan, Chaoyang District, Beijing City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Shanghai Lunxin Medical Beauty Treatment Clinic Co., Ltd. Address: 1-2F., No.518 (Temp.), Hongqiao Rd., Xuhui District, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Hedeng Clinic (Shanghai ) Co., Ltd. Address: Room 1403, No.666, Huaihai W. Rd., Changning Dist., Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd. (Changed from Shanghai Aobaojia Medical Beauty Treatment Clinic Co., Ltd.) Address: Room 1404-1406, No.666, Huaihai W. Rd., Changning Dist., Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. (Changed from Aobaojia Medical Beauty Treatment Clinic (Nanjing) Co., Ltd.) Address: Shop No. 1F-16 and 2F-01, 12, No.2, Shuiximen St., Qinhui District, Nanjing City, Jiangsu Province, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Jinghe Clinic (Nanjing) Co., Ltd. Address: Shop No. 2F-03, No.2, Shuiximen St., Qinhui District, Nanjing City, Jiangsu Province, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
Name: Cui Jie (Shanghai) Trading Co., Ltd. Address: Site 332, 3F, Building 1, No.310, Fassai Rd., Pilot Free Trade Zone, Shanghai City, China	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a> TEL.: (86)21-22201388
<b>2. Branch:</b>	
Name: British Virgin IS., Chlitina Marketing Limited Taiwan Branch Address: 10F, No.107, Songren Rd., Xinyi District, Taipei City	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (886)2-27238666
Name: British Virgin IS., Chlitina Intelligence Limited Taiwan Branch Address: 10F, No.107, Songren Rd., Xinyi District, Taipei City	Website: <a href="http://www.chlitina.com">http://www.chlitina.com</a> TEL.: (886)2-27238666
Name: Chlitina (China) Trade Limited, Ningbo Haishu	Website: <a href="http://www.chlitina.com.cn">http://www.chlitina.com.cn</a>

Branch  
Address: Room 9-7, No.8, Lengjing Street, Haishu District,  
Ningbo City, Zhejiang Province, China  
TEL.: (86)574-87354885

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

Name: Chlitina (China) Trade Limited, Jiangxi Branch  
Address: Room 2011, Site A, Building 16, Hengmao Guoji  
Huacheng, No.205, Guangchang South Rd., Xihu  
District, Nanchang City, Jiangxi Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)791-86100920

Name: Chlitina (China) Trade Limited, Beijing Branch  
Address: 201, 2F, No.11, Dongda St., Zhushikou, Dongcheng  
District, Beijing City, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86) 10-87923880

Name: Chlitina (China) Trade Limited, Tianjin Branch  
Address: No.20-1, Pingan St., Hebei District, Tianjin City, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86) 22-58656188

Name: Chlitina (China) Trade Limited, Chengdu Branch  
Address: No.228, Zhiquan Section, Dongda St., Jinjiang District,  
Chengdu City, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86) 28-86139017

Name: Chlitina (China) Trade Limited, Chengdu Second  
Branch  
Address: No.3904, 3905, 39F, Building 2, No.530, Tianfu  
Avenue Middle Section, Gaoxin District, Chengdu  
City, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86) 28-86132535

Name: Chlitina (China) Trade Limited, Changning Branch  
Address: Room 1402, No.666, Huaihai W. Rd., Shanghai City,  
China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Hebei Branch  
Address: Room 1632, Ximei Building, No.6, Jianshe S. Main  
St., Shijiazhuang City, Hebei Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)311-66611366

Name: Chlitina (China) Trade Limited, Fujian Branch  
Address: 01-03, 05-06, 55F., Building Shiouwangzhuangcheng  
2#F, No.19, Jinlian Rd., Jinan District, Fuzhou City,  
Fujian Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)591-87388010

Name: Chlitina (China) Trade Limited, Shaanxi Branch  
Address: Room 301, 3F, Jinding Building, No. 116, Heping Rd.,  
Xian City, Shaanxi Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)29-87206345

Name: Chlitina (China) Trade Limited, Wenzhou Branch  
Address: Room 1904, Fortune Center, No.577, Station Avenue,  
Lucheng District, Wenzhou City, Zhejiang Province,  
China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)577-88309620

Name: Chlitina (China) Trade Limited, Xuhui Branch  
Address: No.2, Alley 1390, Huaihai W. Rd., Xuhui District,  
Shanghai City, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Nanjing Qinhuai Branch  
Address: 401-403, 405-411, No.80, Jiqing Rd., Qinhuai District, Nanjing City, Jiangsu Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)25-52601169

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

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

Name: Chlitina (China) Trade Limited, Qingdao Branch  
Address: Room 908, Zhongtianheng Building, No.8, Fuzhou S. Rd., Shinan Dist., Qingdao City, Shandong Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Inner Mongolia Branch  
Address: Room 904, 906, 908, Jinding Business Building, No.46, Gangtie St., Qingshan Dist., Baotou City, Inner Mongolia Autonomous Region, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Anhui Branch  
Address: Room 1208-1209, Building 1 and 2-1, Minshang International Trade Center, Southeast side at the intersection of Feidong Rd. and Changjiang East St., Yaohai Dist., Hefei City, Anhui Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Guangzhou Branch  
Address: Room 2008-2010, Yian Plaza, No.33, Jiansheliuma Rd., Yuexiu Dist., Guangzhou City, Guangdong Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Shanxi Branch  
Address: 7F., Site B, Sunshine International Business Center, No.103, Changzhi Rd., Xiaodian Dist., Taiyuan City, Shanxi Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Tianjin Second Branch  
Address: No. 1659, 1660, 1661, 13-1658-3, 11, Nanma Rd., Nanshi St., Heping Dist., Tianjin City, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

Name: Chlitina (China) Trade Limited, Hangzhou First Branch  
Address: Room 907, No. 203, Zhaohui Rd., Xiacheng District, Hangzhou City, Zhejiang Province, China  
Website: <http://www.chlitina.com.cn>  
TEL.: (86)21-22201388

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, Chun-Yao and Chang, Shu-Chiun  
Accounting Firm: PwC Taiwan  
Address: 27F, No.333, Sec. 1, Keelung 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: Chairman  
TEL.: (886)2-2723-8666 Email: [investor@chlitina.com](mailto: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
Chairman	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 The first General Manager of Estee Lauder Group in Taiwan Founding director and honor director of Taiwan Cosmetics Industry Association	Alchemy Corporation USA / President Vice Chairman of Taiwan Clinical Oncology Research Foundation
Director	Mainland China	Wu, Sizong	M	Master of Economics, Shanghai University of Finance and Economics Bachelor of Economics, Jiangxi University of Finance and Economics Professor of Jiangxi University	Professor of Tongji University Independent Director of Top Spring International Holdings Limited Independent Director of Shanghai Shimao Group Independent Director of Namtai Property Group



				of Finance and Economics	
Director	Republic of China	Tsai, Yu-Ling	F	Department of Law, National Taiwan University Co-founder of Lee, Tsai & Partners	Member of Taipei Smart City Committee Member of International Affairs Committee, Taipei City Government Chairman of Ching Chu Co., Ltd. Director of Jess Link Products Co., Ltd. Director of Le Gala International Ltd. Chairman of Taiwan FinTech Association Standing Director of Spark Taiwan Supervisor of Tri-C Entertainment Co., Ltd. Chairman of Taiwan Women on Boards Association Supervisor of Huafan University Director of the Chinese Arbitration Association CEO of Fair Winds Foundation Convener of Legal Assistance Working Group, Taiwan Blockchain Alliance Member of International Affairs Committee, Taitung County Government
Independent Director	Republic of China	Tsai, Yu-Chin	F	PhD, School of Accounting, Shanghai University of Finance and Economics Master, College of Accounting, National Chengchi University Director of the Audit Dept., KPMG Assistant Professor, Dept. of Accounting, China University of Technology	Supervisor of Nichidenbo Corporation ITEQ CORPORATION - Independent Director ITEQ CORPORATION - Member of Audit Committee ITEQ CORPORATION - Member of Remuneration Committee Assistant Professor, Dept. of Accounting, China University of

				Passing High Level CPA Civil Test	Technology
Independent Director	Republic of China	Kao, Peng-Wen	F	MBA, Duke University, USA - graduation General Manager and COO of Walsin Lihwa Corp.	—
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 General Manager, UNIX Server Products Department, IBM China General Manager, Midranger Server System Department, Greater China, IBM China General Manager, East and Central China, IBM China General Manager, Production, Great China, IBM China General Manager, IBM Taiwan	Independent Director of Tymphony Acoustic Technology HK Ltd.

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 Director of 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 (BVI) W-Champion Marketing Limited, Director of Hong Kong W-Champion International Limited, Director of (BVI) Jingya International Marketing Limited, Director of Hong Kong Jingya International Marketing Limited, Director of Hong Kong Crystal International Services Limited, Director of Huapao Sdn. Bhd., Director of Bi Ning Limited Liability Co., Director of Yong Li Trading Company Limited, Executive Director of Chlitina (China) Trade Limited, Executive Director of Weishuo (Shanghai) Daily Product Limited, Executive Director of W-Amber (Shanghai) Trade Limited, Executive Director of W-Champion (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., Executive Director of Li Shuo (Shanghai) Biotechnology Co., Ltd., Executive Director of Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd., Manager of Branch of British Virgin IS., Chlitina Marketing Limited Taiwan Branch, Manager of Branch of British Virgin IS., Chlitina Intelligence Limited Taiwan Branch, 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 Biomedical Limited, Director of San Yen So International Co., Director of Cheng Yang Trading Co., Ltd., Supervisor of Chlitina International Limited, Director of Quan Feng Sheng 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, Director of Huapao Sdn. Bhd., Director of Bi Ning Limited Liability Co., Supervisor of Kelti (China) Daily Product Co., Ltd., Supervisor of Jin Yen (Shanghai) Biotech Co., Ltd., Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Chairman of San Yen So International Co., Ltd., Representative/Director of TuTu & Bow International Limited, Representative/Director of Chlitina International Limited, Director of Chlitina International Trade Co., Ltd., Director of Charming Biotech Corporation, Director of Dida Biomedical Limited, Director of Action Life, Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Chaoneng Biochemical Technology, Supervisor of Jin Yongji Co., Ltd., Supervisor of Quan Feng Sheng Investment Co., Ltd.

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

# Chlitina Holding Limited

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**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

# Chlitina Holding Limited 2019 Business Report

Chlitina Holding Limited (hereinafter referred to as the “Company”) hereby reports its 2019 operating results and the summary of the business plan for 2020:

### I. 2019 operating results:

#### (I) Business plan and implementation:

Consolidated revenue of the Company for 2019 surpassed NT\$5 billion and reached NT\$5,138,879 thousand, up by 12.24% compared to NT\$4,578,513 thousand from 2018, thus keeping solid double-digit growth. Net income after taxes for the year increased by 17.50% to NT\$1,432,163 thousand, compared to NT\$1,218,880 thousand from 2018.

In terms of geographical breakdown, 97.24% of sales, or NT\$4,997,187 thousand, was made in Mainland China, as the region remained the largest and focused market for the Company.

#### (II) Analysis of financial revenues and expenditures and profitability:

For the financial balance and structure, the assets to liabilities ratio was 46%, the current ratio was 191%, and the net profit margin was 27% in 2019, with a net cash inflow of NT\$1,833,543 thousand 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 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 2019, the Company’s franchise channels launched the delightful Trotula series derived from native herbs in southern France, as well as the Moisturizing Repair series of products that focus on moisturizing care and recuperation. Extending the professional market channel to e-commerce, the Company has continued to research and develop a series of products featuring “trendy,” “highly-effective,” and “instant” qualities. Different products launched through different channels can satisfy the needs of different consumers for personalized skincare and healthy lifestyles to the greatest extent.

#### (IV) Status of budget implementation

Due to non-disclosure of any financial forecast in 2019, there is no information on budget achievement.

### II. Summary of the business plan for 2020:

#### (V) Operation guidance:

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 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. Examples include 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. 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 on the steady growth of both the number of members and the quantity of purchase orders. We will combine the existing distribution channel resources of the Company while developing middle- and high-end products for the expansion of the width and length of the product chain complemented by 24/7 marketing approaches with no geographical limit in order to improve the network deployment and product coverage.

4. In our channels of aesthetic medicine, we have promoted the development of our own aesthetic medicine clinics. Combining aesthetics, medicine and science, we are providing consumers with comprehensive services to help them stay beautiful, healthy and resistant against aging. We also set foot in the high-end cosmetic medicine industry, taking advantage of advanced artificial intelligence and regenerative medicine to bring additional momentum to the Company’s revenue.

(I) Future development strategy:

The Company will continue to achieve non-stop sales growth for different channels, expand the group’s business territory and push forward the process of internationalization, by implementing the strategies of “high-efficiency treatment products,” “multi-channel selling,” and “diversified marketing” in accordance with the macro environment, industry characteristics, and market preference.

### **III. The impact among the environments of external competitions, legal environment, and environment for overall business operation**

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

In 2019, China's economic growth rate showed a trend of stable advancement. According to the “2019 National Economic and Social Development Statistics Bulletin” published by the National Bureau of Statistics of China, the GDP growth was 6.1% for the Mainland region and the tertiary industries’ GDP accounted for 53.9% 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 6.9%. Consumption has further enhanced the driving force of the growth with an annual contribution of 57.8% 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 8.9%. Excluding the price factor, the real growth rate was 5.8%. 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, especially the cosmetics industry and service industry. For the first time, the annual total retail sales of consumer goods surpassed 40 trillion RMB and reached 41.2 trillion RMB, up by 8.0% from the previous year. Consumers have remained the main engine of economic growth. Among the retail sales of goods above the amount limit, cosmetics saw a growth rate of 12.6% which exceeded the total growth rate of social consumer goods, indicating its market potential in keeping steady growth.

In 2019, against the backdrop of the slowdown in global economic growth and increased pressure of economic downturn domestically, the Chinese economy moved forward firmly with fast and steady high-quality development. As the overall economy remains stable, the level of development has moved up to a new stage, and the quality of development has steadily improved. At the same time, the public well-being is getting better, and all kinds of social activities are flourishing, with overall ecological and environmental improvement. Meanwhile, with the support of a series of innovative and startup activities and results, the new products under emerging industries and models are growing rapidly and becoming a new driver of stable economic growth and structural adjustment. Throughout 2019, the sales of products online grew by 19.5% compared to the previous year, accounting for 20.7% of the overall retail sales of consumer products in society, a growth of 2.3% 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 consumers. Led by urbanization and public startups, the development of e-commerce is beneficial for breaking down geographical limits and expanding customer groups, which will bring more business opportunities to the Company. The transformation and upgrading of traditional industries and the online-and-offline-integrated marketing method have further revealed the Company's competitive advantage in combining unique products with services and the development advantage created by cross-border e-commerce gathering quality brands.

## (II) Impact from the Legal 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," "Regulations Concerning the Hygiene Supervision over Cosmetics," "Detailed Rules for the Implementation of the Regulation on the Hygiene Supervision over Cosmetics," "Industrial Production Authorization Regulations," "Domestic Non-special Purpose Cosmetics Record Management Method," and "Cosmetics Labels Instructions Management Regulations," as well as "Regulation on the Administration of Commercial Franchises." 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 required for business operations and got an update as it pertains to these matters.



## Two. Company profile

### 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 IntertekTesting 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, Chlritina 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.”

Year	Significant events of the Company and group history
	<p>“Chlitina Holding Limited (麗豐股份有限公司)” was set up in the Cayman 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 &amp; 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 &amp; 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”</p>

Year	Significant events of the Company and group history
	<p>at the 15th China Venture Capital Fortune Making Expo in Shandong, China.</p> <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 &amp; 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 &amp; 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 Chairman, 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 Chairman, 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 2016, 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"</p>

Year	Significant events of the Company and group history
	<p>was awarded the “Best Whitening Repair Award” by the magazine “femina.”</p> <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 Chairman, 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 Chairman, 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, Chairman 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. Chairman 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 20th 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 to Shanghai Tongji University Education</p>

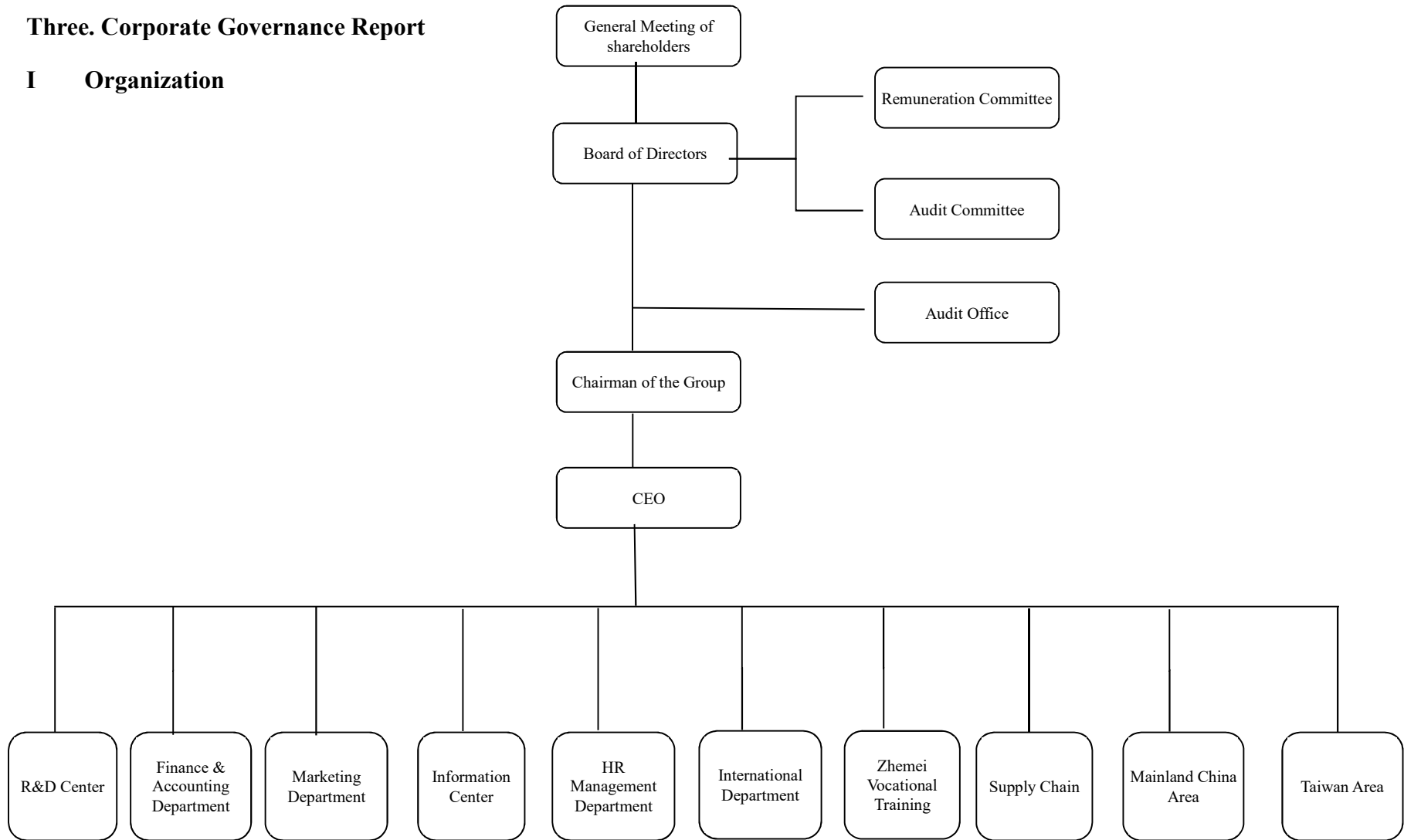
Year	Significant events of the Company and group history
	<p>Development Foundation with the grant used in supporting human resource development in medicine and management and scientific research.</p> <p>In May 2017, the Company’s medical cosmetology clinic, Up Lider, was formally established.</p> <p>In 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 Chairman, 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 Chairman, 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</p>

Year	Significant events of the Company and group history
	<p>Festival.</p> <p>In June 2018, 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.</p> <p>In July 2018, the CHLITINA brand was promoted on the dating program “Searching for True Love -Wei Jian Zhong 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</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>December 2018, the documentary Ganglamedo, invested in by CHLTINA 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>January 2019, CHLTINA 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> <p>In June 2019, CHLITINA became the official cooperative partner of the 22nd Shanghai International Film Festival and 20th Shanghai TV Festival, as well as the only skin care brand designated by Shanghai International Film Festival.</p> <p>In July 2019, CHLITINA held the first reading camp naming [Lighting Charity Fund: The Power of Reading] in Duchang County, Jiangxi Province.</p> <p>In July 2019, CHLITINA won the “Corporate Social Responsibility Model Award” and the COO Mr. Chao, Cheng-You, won the “Influential Characters” at the 8th China Finance Summit.</p> <p>In October 2019, CHLITINA broke the industry’s record again in continuously winning the honor of “Top 20 International Brands in Taiwan” four times.</p> <p>In October 2019, CHLITINA once again worked with the brave woman Ma Yi-Li to film the new promotion “Love Bravely without Hesitation.”</p> <p>In October 2019, CHLITINA’s CEO Mr. Chao, Cheng-You represented the domestic beauty industry to attend the 17th Global views Leaders Forum.</p> <p>In November 2019, CHLITINA won the “Project Hope 30 Years Special Contribution Award” from the China Youth Development Foundation.</p> <p>In December 2019, the popular skincare gift box and the anti-aging cream of CHLITINA separately won the “Full care Award” and the “Popularity Award” at the 2019 Beauty Awards ranked by PClady.</p>

Year	Significant events of the Company and group history
	<p>In December 2019, CHLITINA promoted its brand on the legal drama “The Gold Medal Lawyer.”</p> <p>In December 2019, CHLITINA held the unveiling ceremony for the Lifeng Institute of Regenerative Medicine of Tongji University at the Jicheng Building on the Hubei campus of Tongji University. The Lifeng Institute of Regenerative Medicine of Tongji University was jointly established by CHLITINA, in the name of the parent company Chlitina Holding Limited, and Tongji University.</p>
2020	<p>In January 2020, CHLITINA won the “2019 Responsible Charity Awards.”</p> <p>In January 2020, the charity project [The Power of Reading] of CHLITINA’s Lighting Charity Fund won the “2019 Charity Practice Award” of the 9th China Charity Festival while the founder of the Lighting Charity Fund, Ms. Yu-Shan Su, received the “2019 Charity Character Award.”</p> <p>In February 2020, CHLITINA promoted its brand on the legal drama “I Will Find You a Better Home.”</p> <p>In February 2020, CHLITINA received the donation certificate “Fight Against Coronavirus with Love” from China Youth Development Foundation.</p>

### Three. Corporate Governance Report

#### I Organization





Department Name	Responsible of Department
R&D Center	<ol style="list-style-type: none"> <li>1. Increased the company's self-development ability and support the market's early-period developing work of new product marketing.</li> <li>2. Formulated the standardized costs and realized effective cost control. Manage and maintain periodical regulatory business of previously-launched products. Completed the mission of communication and negotiation between the management and the employees.</li> </ol>
Finance & Accounting Department	<ol style="list-style-type: none"> <li>1. Made the Group's annual budget and final report</li> <li>2. Formulated the Group's tax policy and relevant planning</li> <li>3. Dealt with the Group's accounting process, finance and capital planning.</li> <li>4. Investor relations.</li> </ol>
Marketing Department	<ol style="list-style-type: none"> <li>1. Responsible for the establishment of brand image, shaping of values, and upgrading of brand image based on the business development of the Company to promote the character of the Company;</li> <li>2. Develop new products, optimize product lines, plan product promotion programs, and proceed with implementation;</li> <li>3. Draw up brand promotion programs, advertisement promotions and ultimate promotional programs, execute brand broadcasting strategies and budget the expenses;</li> <li>4. Collect the market information, analyze the market trend, consumer demands, and the industry development trend and complete the market research, and sales forecasting;</li> <li>5. Responsible for the planning and operation of the new media platforms (Shuangwei, TikTok and Xiaohongshu);</li> <li>6. Responsible for the building and maintenance of the media and public relations;</li> <li>7. Responsible for the organization, planning, creative output, and copywriting of the marketing activities;</li> </ol>
Information Center	<ol style="list-style-type: none"> <li>1. Make reasonable budget for the IT Dept., arrange the Group's software and hardware resources appropriately.</li> <li>2. Establish the Internet system, apps, operation system needed by each of the departments.</li> <li>3. Established, managed and executed the SAP System; conglomerate the Company's ERP management operation.</li> <li>4. Establish and execute the Management Information System (MIS) and integrate the computerized management operation of the Company.</li> </ol>
HR Management Department	<ol style="list-style-type: none"> <li>1. Arranged human resources, established and executed employee management system.</li> <li>2. Established and executed administrative and general affairs system.</li> </ol>
International Department	Responsible for each business channel in Southeast Asia such as Vietnam and Malaysia.
Zhemei Vocational Training	Develop training courses, teach internal and external courses, and provide relevant support.
Supply Chain	Responsible for production and outsourced manufacturing, complete and meet the annual production plans and goals.
Mainland China Area	Take charge of the business in China.
Taiwan Area	Took charge of the business in Taiwan.

## 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, 2020 Unit: 1000 shares; %

Title (Note 1)	Nationality or Place of Registration	Name	Gender (Female/Male)	Date of Election (Appointment) Date (Note 1)	Term (years) (Note 1)	Date of first election (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			Remarks
							Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)			Title	Name	Relationship	
Chairman	Republic of China	Chen, Pi-Hua	F	June 5, 2018	3 years	July 3, 2012	-	-	-	-	-	-	-	-	EMBA, Tongji University Ph.D of Keuka College, USA	Note 2	Director	Chen, Pei-Wen	Sister	Note 4
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 6, 2015	-	-	-	-	-	-	-	-	MBA, US Seton Hall University - MBA, Stillman School of Business Graduated from Daren Girls' High School	Note 3	Director	Pi-Hua Joanna Chen	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 The first General Manager of Estee Lauder Group in Taiwan Founding director and honor director of Taiwan Cosmetics Industry Association	Alchemy Corporation USA /President Vice Chairman of Taiwan Clinical Oncology Research Foundation	-	-	-	-
Director	Mainland China	Wu, Sizong	M	June 5, 2018	3 years	August 23, 2012	-	-	-	-	-	-	-	-	Master of Economics, Shanghai University of Finance and Economics Bachelor of Economics, Jiangxi 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 Independent Director of Namtai Property 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 Taipei Smart City Committee Member of International Affairs Committee, Taipei City Government Chairman of Ching Chu Co., Ltd. Director of Jess Link Products Co., Ltd. Director of Le Gala International Ltd. Chairman of Taiwan FinTech Association Standing Director of Spark Taiwan Supervisor of Tri-C Entertainment Co., Ltd. Chairman of Taiwan Women on Boards Association Supervisor of Huafan University Director of the Chinese Arbitration Association CEO of Fair Winds Foundation Convener of Legal Assistance Working Group, Taiwan Blockchain Alliance Member of International Affairs Committee, Taitung County Government	-	-	-	-
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Independent Director	Republic of China	Tsai, Yu-Chin	F	June 5, 2018	3 years	August 23, 2012	-	-	-	-	-	-	-	-	-	PhD, School of Accounting, Shanghai University of Finance and Economics Master, College of Accounting, National Chengchi University Director of the Audit Dept., KPMG Assistant Professor, Dept. of Accounting, China University of Technology Passing High Level CPA Civil Test	Supervisor of Nichidenbo Corporation ITEQ CORPORATION - Independent Director ITEQ CORPORATION - Member of Audit Committee ITEQ CORPORATION - Member of Remuneration Committee 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 Walsin Lihwa Corp.	-	-	-		

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 General Manager, UNIX Server Products Department, IBM China General Manager, Midranger Server System Department, Greater China, IBM China General Manager, East and Central China, IBM China General Manager, Production, Great China, IBM China General Manager, IBM Taiwan	Independent Director of Tymphony Acoustic Technology HK 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 "Procedure for the election of Directors" on August 23, 2012, the other four directors were elected with cumulative voting on November 12, 2012. The first term of the 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 Director of 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 (BVI) W-Champion Marketing Limited, Director of Hong Kong W-Champion International Limited, Director of (BVI) Jingya International Marketing Limited, Director of Hong Kong Jingya International Marketing Limited, Director of Hong Kong Crystal International Services Limited, Director of Yong Li Trading Company Limited, Director of Huapao Sdn. Bhd., Director of Bi Ning Limited Liability Co., Executive Director of Chlitina (China) Trade Limited, Executive Director of Weishuo (Shanghai) Daily Product Limited, Executive Director of W-Amber (Shanghai) Trade Limited, Executive Director of W-Champion (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., Executive Director of Li Shuo (Shanghai) Biotechnology Co., Ltd., Executive Director of Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd., Manager of Branch of British Virgin IS., Chlitina Marketing Limited Taiwan Branch, Manager of Branch of British Virgin IS., Chlitina Intelligence Limited Taiwan Branch, 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 Biomedical Limited, Director of San Yen So International Co., Director of Cheng Yang Trading Co., Ltd., Supervisor of Chlitina International Limited, Director of Quan Feng Sheng 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, Director of Huapao Sdn. Bhd., Director of Bi Ning Limited Liability Co., Supervisor of Kelti (China) Daily Product Co., Ltd., Supervisor of Jin Yen (Shanghai) Biotech Co., Ltd., Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Chairman of San Yen So International Co., Ltd., Representative/director of TuTu & Bow International Limited, Representative/Director of Chlitina International Limited, director of Chlitina International Trade Co., Ltd., Director of Charming Biotech Corporation, Director of Dida Biomedical Limited, Director of Action Life, Supervisor of Zhaocang (Shanghai) Trading Co., Ltd., Chaoneng Biochemical Technology, Supervisor of Jin Yongji Co., Ltd., Supervisor of Quan Feng Sheng Investment Co., Ltd.

Note 4: If the Chairman, General Manager, or person holding an equivalent position (top manager) of the Company are the same person, have spouse relationship or relative relationship within the first degree of kinship, the Company shall describe the reason, rationality, necessity and information related to the response measures (such as increasing the number of seats for independent directors and the directors with concurrent positions as employees or managers shall not exceed half of the directors).

The Company's Chairman Chen, Pi-Hua and the CEO Chao, Cheng-You are relatives within the first degree of kinship. The description is as follows:

- a. Reason, legitimacy and necessity: The CEO Chao, Cheng-You once served as the COO of CHLTINA and Zhemei Vocational Training and the Special Assistant of the Chairman, therefore he is familiar with the product development and marketing of the Group with sharp and precise market insights. With his learning and living experience abroad, our CEO Chao, Cheng-You can lead the reforms and development of the Company by a more internationalized perspective and thinking.
- b. Response measures: Currently, the Company has 3 independent directors and plans to increase the number of independent directors during the reelection at the regular shareholders meeting in 2021. More than half of the Company's directors do not presently have concurrent positions as employees or managers.

## Major shareholders of institutional shareholders

April 30, 2020

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 their shareholding ratio. If its main shareholder is also a legal person, the following (Table II) shall be filled in.

Note 3: For those who are not the juristic person of the Company, the Company shall disclose the name of the shareholder and the shareholding ratio, i.e. the name of the contributor or donator and their contribution or donation ratio.

## Major institutional shareholders of institutional shareholders, if any

April 3, 2020

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, 2020

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	11	12	
Name (Note 1)																
Chen, Pi-Hua	-	-	V	-	-	-	-	-	-	-	-	V	V	V	V	-
Chen, Pei-Wen	-	-	V	-	-	-	-	-	-	-	-	V	-	V	-	-
Chu, Yi	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	-
Wu, Sizong	V	-	V	V	V	V	V	V	V	V	V	V	V	V	V	2 (Note 3)
Tsai, Yu-Ling	-	V	V	V	V	V	V	V	V	V	V	V	V	V	V	-
Tsai, Yu-Chin	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Kao, Peng-Wen	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	-
Yu, Hung-Ding	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	1 (Note 4)

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 supervisor of the Company's affiliates (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (3) Not the director, or his or her spouse or minor who holds, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, or is one of the Company's ten largest natural-person shareholders.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).
- (5) Not a director, supervisor, or employee that has 5% or higher ownership interest in the company, being the top-5 corporate shareholders or the institutional shareholders who designate representative as the corporate director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (6) Not a director, supervisor or employee of other Company in which the number of directors or more than half of the voting shares is under the control of the same person (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (7) Not a director, General Manager or employee of other Company or institution in which the chairman, president or personnel with equivalent position are the same person or have spouse relationship (the same does not apply, however, in cases where the person is an independent director of the Company,

its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relationship with the Company (the same does not apply, however, in cases where the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public Company and the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (9) Not a professional who provides audits or commercial, legal, financial or accounting services accumulating more than NT\$500,000 of remuneration obtained in recent two years to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, this shall not apply to members of the remuneration committee, review committee for public acquisitions or special committee for mergers executing their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Is not the spouse or relative within the second degree of kinship of another director.
- (11) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
- (12) 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, Ssu-Tsung 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, 2020 Unit: 1000 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			Remarks
					Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding ratio (%)			Title	Name	Relationship	
General Manager	Republic of China	Chen, Pi-Hua (Note 2)	Female	May 1, 2015	-	-	-	-	-	-	EMBA, Tongji University Ph.D of Keuka College, USA	Note	-	-	Parent-child	Note 1
CEO	Republic of China	Chao, Chen-Yu	Male	November 12, 2019	0.036	0.0004	15	0.02	-	-	Bachelor of Communication, Fudan University Master's, School of Economy and Management, Tongji University	Note	-	-	Parent-child	Note 1
Mainland China Area General Manager	Mainland China	Yang, Chi-Chih	Male	August 8, 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	-	-	-	-
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	-	-	-	-
Senior CFO	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 Strategy Development Department and Finance Department, Cowealth Investment Co. Ltd.	Note	-	-	-	-
General manager of Taiwan and Southeast Asia	Republic of China	Kao, Shou-Kang (Note 3)	Male	August 8, 2017	-	-	-	-	-	-	Bachelor of Mathematics, Tamkang University Cosmetic and Marketing Industry Consultant in Greater China Area	Note	-	-	-	-
Sales Training Department Deputy General	Republic of China	Yeh, Mei-Feng (Note 4)	Female	December 26, 2009	-	-	-	-	-	-	Dept. of Economic Management, Huazhong University of Science and Technology	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			Remarks
					Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
Manager											Vice Chairperson of Technology Department , Kelti (China) Daily Product Co., Ltd.					
Deputy General Manager of the Legal Affairs Department	Mainland China	Wang, Yu-Xia (Note 5)	Female	March 26, 2011	-	-	-	-	-	-	CEO of United States Cellular Corporation, China Director & Vice Chairperson of For You Healthcare Technology Co., Ltd.	Note	-	-	-	-
Product R&D Department Deputy General Manager	Republic of China	Chen, Pai-Ying (Note 6)	Female	June 1, 2017	-	-	-	-	-	-	EMBA, Business Administration Section, National Taiwan University Deputy General Manager of Marketing Department, Peifang International Co., Ltd.	Note	-	-		-

Note 1: If the Chairman, General Manager, or person holding an equivalent position (top manager) of the Company are the same person, have spouse relationship or relative relationship within the first degree of kinship, the Company shall describe the reason, rationality, necessity and information related to the response measures (such as increasing the number of seats for independent directors and the directors with concurrent positions as employees or managers shall not exceed half of the directors).

The Company's Chairman Chen, Pi-Hua and the CEO Chao, Cheng-You are relatives within the first degree of kinship. The description is as follows:

- a. Reason, legitimacy and necessity: The CEO Chao, Cheng-You once served as the COO of CHLTINA and Zhemei Vocational Training and the Special Assistant of the Chairman, therefore he is familiar with the product development and marketing of the Group with sharp and precise market insights. With his learning and living experience abroad, our CEO Chao, Cheng-You can lead the reforms and development of the Company by a more internationalized perspective and thinking.
- b. Response measures: Currently, the Company has 3 independent directors and plans to increase the number of independent directors during the reelection at the regular shareholders meeting in 2021. More than half of the Company's directors do not presently have concurrent positions as employees or managers.

Note 2: General Manager Pi-Hua Chen was discharged on November 12, 2019.

Note 3: Kao Shou-Kang, General manager of Taiwan and Southeast Asia, was discharged on January 31, 2020.

Note 4: Yeh Mei-Feng, Deputy General Manager of the Sales Training Department, was discharged on January 31, 2020.

Note 5: Wang Yu-Xia, Deputy General Manager of the Legal Affairs Department, was discharged on July 2, 2019.

Note 6: Chen Pai-Ying, Deputy General Manager of the Product R&D Department, was discharged on January 7, 2020.

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	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 (BVI) W-Champion Marketing Limited Director of Hong Kong W-Champion International Limited Director of (BVI) Jingya International Marketing Limited Director of Hong Kong Jingya International Marketing Limited Director of Hong Kong Jingya International Services Limited Director of Yong Li Trading Company Limited Director of Huapao Sdn. Bhd. Director of Bi Ning Limited Liability Co. Executive Director of Chlitina (China) Trade Limited Executive Director of Weishuo (Shanghai) Daily Product Limited Executive Director of W-Amber (Shanghai) Trade Limited Executive Director of W-Champion (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. Executive Director of Li Shuo (Shanghai) Biotechnology Co., Ltd. Executive Director of Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd., Manager of British Virgin IS., Chlitina Marketing Limited Taiwan	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 Biomedical Limited Director of San Yen So International Co., Ltd. Director of Shanghai Cheng Yang Trading Co., Ltd. Supervisor of Chlitina International Trade Co., Ltd. Director of Full Blooming Investment Co., Ltd. Director of Jin Yongji Co., Ltd. Director of Chaoneng Biochemical Technology Co., Ltd.

		Branch Manager of British Virgin IS., Chlitina Intelligence Limited Taiwan Branch	
CEO	Chao, Chen-Yu	Supervisor of Shanghai Yuanshuo Management Consulting Limited Executive Director and General Manager of Shanghai Zhongye Trading Co., Ltd. Supervisor of Cui Jie (Shanghai) Trading Co., Ltd. Supervisor of Hedeng Clinic (Shanghai ) Co., Ltd. Supervisor of Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd., Supervisor of Shanghai Lunxin Medical Beauty Treatment Clinic Co., Ltd.	Executive Director of Shanghai Zhemei Vocational Training Co., Ltd. Executive Director of Shanghai Cheng Yang Trading Co., Ltd. Chairman of Cheng Yang Trading Co., Ltd. Representative and Director of Kangshuo biomedical Co., Ltd. Director of Yahe Consulting Co., Ltd. Director of (BVI) CAPITAL FAITH DEVELOPMENT LIMITED
General Manager of Mainland China Area	Yang, Chi-Chih	General Manager of Mainland China Area, Chlitina (China) Trade Limited	None
Deputy General Manager of Supply Chain	Lin, Mei-Fang	Deputy General Manager of Weishuo (Shanghai) Daily Product Limited	None
Senior CFO	Yeh, Chien-Chih	Senior CFO of Chlitina (China) Trade Limited	None
General manager of Taiwan and Southeast Asia	Kao, Shou-Kang (Note)	General Manager of British Virgin IS., Chlitina Marketing Limited Taiwan Branch	None
Deputy General Manager of the Sales Training Department	Yeh, Mei-Feng (Note)	Deputy General Manager of Chlitina (China) Trade Limited	None
Deputy General Manager of Legal Affairs Department	Wang, Yu-Xia (Note)	Deputy General Manager of Chlitina (China) Trade Limited Deputy General Manager of Weishuo (Shanghai) Daily Product Limited	Director and Vice Chairperson of Gem Fortune Group Deputy General Manager of Foreign Affairs Department, Kelti (China) Daily Product Co., Ltd.
Deputy General Manager of Products R&D Department	Chen, Pai-Ying (Note)	Deputy General Manager of Chlitina (China) Trade Limited	None

Note: General Manager Pi-Hua Chen was discharged on November 12, 2019. Kao Shou-Kang, General manager of Taiwan and Southeast Asia, and Yeh Mei-Feng, Deputy General Manager of the Sales Training Department, were discharged on January 31, 2020. Wang Yu-Xia, Deputy General Manager of the Legal Affairs Department was discharged on July 2, 2019. Chen Pai-Ying, Deputy General Manager of the Product R&D Department, was discharged on January 7, 2020.



Director	Wu, Sizong																			
Director	Tsai, Yu-Ling																			
Independent Director	Tsai, Yu-Chin																			
Independent Director	Kao, Peng-Wen																			
Independent Director	Yu, Hung-Ding																			
<p>1. Please specify the policy, system, standard, and structure of the remuneration for independent directors and its relation to factors including the responsibility assumed, risk and amount of time invested: In compliance with Article 63 of the Articles of Incorporation, the remuneration to independent directors of the Company is resolved by the Board of Directors after being reviewed by the Remuneration Committee based on the following factors: a. the participation in the operation of the Company, b. the contribution to the Company, c. reference to the typical pay levels adopted by peer companies and d. suggestions from the Remuneration Committee and other relevant factors.</p> <p>2. In addition to the disclosures in the above Table, the remuneration of directors from providing services (e.g., as the consultant of non-employee) to all companies in financial statements in recent year: None.</p>																				

Range of remuneration

December 31, 2019

Breakdown of remuneration to directors	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The Company	Companies included into the consolidated financial statement (I)	The Company	Companies included into the consolidated financial statement (J)
Below NTD1,000,000	-	-	-	-
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	-	Chen, Pei-Wen, Chu, Yi, Wu, Ssu-Tsung, Tsai, Yu-Ling	-	Chen, Pei-Wen, Chu, Yi, Wu, Ssu-Tsung, Tsai, Yu-Ling
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	-	Tsai, Yu-Chin, Kao, Peng-Wen, Yu, Hung-Ding	-	Tsai, Yu-Chin, Kao, Peng-Wen, Yu, Hung-Ding
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	-	-	-	-
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	-	-	-	-
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	Chen, Pi-Hua	-	-
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	-	-	-



30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-	-	Chen,Pi-Hua
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-	-	-
Over 100,000,000	-	-	-	-
Total		8 person	-	8 person

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) with general directors and independent directors listed respectively 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 3-1 or Table (3-2-1) and (3-2-2).

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 or the parent company shall be listed (if none, please fill in “None” in the column).

b. If the Company’s directors received remuneration from investees other than the Company’s subsidiaries or the parent company, the Company shall list their remuneration received from investees other than the subsidiaries or the parent company in Column I of the remuneration range table, and change the column name into “Parent Company and 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 or the parent company.

2. Remuneration to supervisors: Not applicable

3. Remuneration to President, and Vice Presidents

December 31, 2019; 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 investees other than the subsidiaries or parent company (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 (Note)	-	42,094	-	-	-	41,571	900	-	900	-	5.90%	5.90%	-
CEO	Chao, Chen-Yu													
General Manager of Mainland China Area	Yang, Chi-Chih													
Deputy General Manager of Supply Chain	Lin, Mei-Fang													
Senior CFO	Yeh, Chien-Chih													
General manager of Taiwan and Southeast Asia	Kao, Shou-Kang (Note)													
Deputy General Manager of the Sales Training Department	Yeh, Mei-Feng (Note)													
Deputy General Manager of the Legal Affairs Department	Wang, Yu-Xia (Note)													

Deputy General Manager of the Product R&D Department	Chen, Pai-Ying (Note)														
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Note: General Manager Pi-Hua Chen was discharged on November 12, 2019. Kao Shou-Kang, General manager of Taiwan and Southeast Asia, and Yeh Mei-Feng, Deputy General Manager of the Sales Training Department, were discharged on January 31, 2020. Wang Yu-Xia, Deputy General Manager of the Legal Affairs Department, was discharged on July 2, 2019. Chen Pai-Ying, Deputy General Manager of the Product R&D Department, was discharged on January 7, 2020.

## Range of remuneration

December 31, 2019; Unit: NTD 1,000

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 NTD1,000,000	-	
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	-	Chao, Chen-Yu
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		Wang, Yu-Xia-Hsia and Yeh, Chien-Chih
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		Chen, Pai-Ying, Lin, Mei-Fang and Kao, Shou-Kang
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	-	-
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	Yeh, Mei-Feng
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	Yang, Chi-Chih
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	Chen, Pi-Hua
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 (1-1) or Table (1-2-1) and (1-2-2).

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: T 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 (if none, please fill in "None" in the column).

- b. If the Company's General Manager and Deputy General Manager receive remuneration from investees other than the Company's subsidiaries or the parent company, the Company shall list their remuneration received from investees other than the subsidiaries or the parent company in Column E of the remuneration range table, and change the column name into "Parent Company and 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 their position as director, supervisor, or manager of investees other than the subsidiaries or the parent company.

Note 10: General Manager Pi-Hua Chen was discharged on November 12, 2019. Kao Shou-Kang, General manager of Taiwan and Southeast Asia, and Yeh Mei-Feng, Deputy General Manager of the Sales Training Department, were discharged on January 31, 2020. Wang Yu-Xia, Deputy General Manager of the Legal Affairs Department, was discharged on July 2, 2019. Chen Pai-Ying, Deputy General Manager of the Product R&D Department, was discharged on January 7, 2020.

\* 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, 2019; Unit: NTD 1,000

	Title	Name	Share remuneration amount	Cash remuneration amount	Total	The sum as percentage of net income (%)
Managers	General Manager	Chen, Pi-Hua (Note)	-	900	900	0.06%
	CEO	Chao, Chen-Yu				
	General Manager of Mainland China Area	Yang, Chi-Chih				
	Deputy General Manager of the Supply Chain	Lin, Mei-Fang				
	Senior CFO	Yeh, Chien-Chih				
	Taiwan and Southeast Asia General Manager	Kao, Shou-Kang (Note)				
	Deputy General Manager of the Sales Training Department	Yeh, Mei-Feng (Note)				
	Deputy General Manager of the Legal Affairs Department	Wang, Yu-Xia (Note)				
	Deputy General Manager of the Product R&D Department	Chen, Pai-Ying (Note)				

Note: General Manager Pi-Hua Chen was discharged on November 12, 2019. Kao Shou-Kang, General manager of Taiwan and Southeast Asia, and Yeh Mei-Feng, Deputy General Manager of the Sales Training Department, were discharged on January 31, 2020. Wang Yu-Xia, Deputy General Manager of the Legal Affairs Department, was discharged on July 2, 2019. Chen Pai-Ying, Deputy General Manager of the Product R&D Department, was discharged on January 7, 2020.

- (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	2018		2019	
	Amount	%	Amount	%
Director	25,163	2.06	27,830	1.94
General Manager and Deputy General Managers	49,314	4.05	84,565	5.90
Consolidated net profit	1,218,880	100	1,432,163	100

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 12,002,000 of wage, NTD 15,198,000 of payoff, and business execution expense of NTD 630,000.

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 (including equivalent positions) is based on their position, tenure, personal performance completion rate and contribution to the Company. The considerations include the practice of corporate core value and operation management capability, performance indicators in financial and business operations and the comprehensive management indexes, participation in the continuing education and sustainable operation as well as the measurement of other special contributions and handling of major events. The overall operating performance of the Company, future operational risk and development trend of the industry and the remuneration level in the industry will also be considered. The contents and legitimacy of the remuneration has been reviewed and approved by the Remuneration Committee and the Board of Directors while the remuneration system will be timely reviewed depending on the actual operation and relevant laws and regulations to strike a balance between the sustainable operation and risk control of the Company.

(V) The succession planning of the Board members and important management of the Company

(1) The directors of the Company are nominated by the main shareholders and elected by the shareholders meeting. The Company will arrange 12 hours of continuing education for new directors upon the year of appointment and provide the directors and internal personnel with reference materials of relevant laws, precautions and regulation promotion manuals. During the director's term of office, the Company will arrange training of 6 hours every year and assist the directors to obtain professional knowledge required to execute their duty.

(2) The important management of the Company is currently planning the succession plan. Besides excellent professionalism and performance, the successor must identify with our corporate culture and business philosophy and is equipped with the qualities to create value,

assist the team, and never give up.

The successor training model of the CEO adopts methods of management and professionalism learning, participation in development of specific projects and job rotation. The training includes the human resources, financial risks, brand marketing, and management of supply chains to cultivate trainees' decision-making abilities to plan strategies and integrate operations.

By the training and experience plan of the successor, we elected the candidates for the CEO in 2019 and will follow this model subsequently to develop the senior management and form the succession team.

#### IV Status of Corporate Governance

##### (I) Operations of the Board of Directors

From the most recent fiscal year (2019) up to the date of publication of the annual report, there were 12 Board of Directors meetings (A), 10 times in 2019 and 2 times in 2020. The directors' attendances are as follows:

Title	Name	Number of actual attendance (B) (Note)	Attendance by proxy	Actual attendance (%) (B/A)	Remarks
Chairman	Chen, Pi-Hua	12	0	100.00	
Director	Wealthy Garden Investment Limited (Representative: Chen, Pei-Wen)	9	3	75.00	
Director	Chu, Yi	11	1	91.67	
Director	Wu, Sizong	9	3	75.00	
Director	Tsai, Yu-Ling	10	2	83.33	
Independent Director	Tsai, Yu-Chin	12	0	100.00	
Independent Director	Kao, Peng-Wen	11	1	91.67	
Independent Director	Yu, Hung-Ding	11	1	91.67	
Other items to be stated:					
I. Where the operations of the Board of Directors meet 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	Independent directors' opinions	Processing of the independent directors' opinions the Company	Resolution



		Exchange Act				
May 13, 2019 4th session of the 3rd term in 2019	1. Proposal to increase capital for the subsidiary, Jingya (Shanghai) Trade Limited and the proposal to suspend the increase of re-investment for the subsidiary of the Company, W-Amber (Shanghai) Trade Limited.	V	None	None	All attending Directors unanimously approved the measure.	
August 12, 2019 6th session of the 3rd term in 2019	1. Proposal to add related parties' transactions of the Company and subsidiaries. 2. Proposal to acquire the real property right-of-use assets from the related party by 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.	
September 26, 2019 7th session of the 3rd term in 2019	1. Proposal to increase capital for the subsidiary, Shanghai Zhemei Vocational Training Co., Ltd. 2. Proposal to increase capital for the subsidiary, Shanghai Yuanshuo Management Consulting Limited 3. Proposal to add related parties' transactions of the Company and subsidiaries. 4. Proposal to	V	None	None	All attending Directors unanimously approved the measure.	

	acquire the real property right-of-use assets from the related party by the subsidiary, the Chlitina Marketing Limited Taiwan Branch.				
November 12, 2020 8th session of the 3rd term in 2019	<ol style="list-style-type: none"> <li>1. Proposal of re-investment in the subsidiary, Shanghai Yuanshuo Management Consulting Limited.</li> <li>2. Proposal to amend parts of the "Sale and Receipt Cycle" in the internal control system of the Company.</li> <li>3. Proposal to recruit a CEO and General Manager.</li> <li>4. Proposal to lift the non-competition pledge obligations upon the managers of the Company.</li> </ol>	V	None	None	All attending Directors unanimously approved the measure.
December 2, 2019 9th session of the 3rd term in 2019	<ol style="list-style-type: none"> <li>1. Proposal to increase capital for the subsidiary, Shanghai Yuanshuo Management Consulting Limited</li> <li>2. Proposal of re-investment in the subsidiary, Hong Kong Chlitina International Limited.</li> </ol>	V	None	None	All attending Directors unanimously approved the measure.
December 17, 2019 10th session of the 3rd term in 2019	1. Proposal to add related parties' transactions of the Company and subsidiaries.	V	None	None	All attending Directors unanimously approved the measure.
March 12, 2020 1st session of the 3rd term in 2020	1. Proposal of the drafts regarding the business report, financial statements, and certified public accountants' audit	V	None	None	All attending Directors unanimously approved the measure.

	<p>report for 2019.</p> <p>2. Proposal regarding the distribution of employee remuneration to managers for 2019.</p> <p>3. Proposal to evaluate the Company's accountant independence, appointment of CPAs, and the professional fee for 2020.</p> <p>4. Proposal to add related parties' transactions of the Company and subsidiaries.</p> <p>5. Proposal to increase the re-investment in the subsidiary, Hong Kong Chlitina International Limited.</p> <p>6. Proposal to amend parts of the Company's "Articles of Incorporation."</p>					
<p>April 21, 2020 2nd session of the 3rd term in 2020</p>	<p>1. Proposal to amend the "General Provisions of Decision-making Authority" and "Decision-making Authority Table" of the Company.</p> <p>2. Proposal to amend parts of the Company's "Articles of Incorporation."</p> <p>3. Proposal to lift the non-competition pledge obligations upon the newly elected directors.</p>	V	None	None	All attending Directors unanimously approved the measure.	

(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 2019 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
August 12, 2019 6th session of the 3rd Board in 2019	Proposal to add related parties' transactions of the Company and subsidiaries.	The Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen, were the stakeholders of the proposal.	Except for the Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen did not participate in the discussion and voting due to conflict of interest, the proposal was passed unanimously after the Deputy Chairperson, Tsai, Yu-Chin, consulted all the other attending directors.
September 26, 2019 7th session of the 3rd Board in 2019	Proposal to add related parties' transactions of the Company and subsidiaries.	The Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen, were the stakeholders of the proposal.	Except Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen that did not participate in the discussion and voting due to conflicts of interest, the proposal was approved unanimously after the Deputy Chairperson,

			independent director Tsai, Yu-Chin, consulted with all other attending directors.
	Proposal to acquire the real property right-of-use assets from the related party by the subsidiary, the Chlitina Marketing Limited Taiwan Branch.	The Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen, were the stakeholders of the proposal.	Except Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen that did not participate in the discussion and voting due to conflicts of interest, the proposal was approved unanimously after the Deputy Chairperson, independent director Tsai, Yu-Chin, consulted with all other attending directors.
November 12, 2019 8th session of the 3rd Board in 2019	Proposal to recruit a CEO and General Manager.	The Chairman Chen, Pi-Hua was a stakeholder of the proposal.	Except Chairman Chen, Pi-Hua who did not participate in the discussion and voting due to conflicts of interest, the proposal was approved unanimously after the Deputy Chairperson, independent director Kao, Peng-Wen, consulted with all other attending directors.
	Proposal to lift the non-competition pledge obligations upon the managers of the Company.	The Chairman Chen, Pi-Hua was a stakeholder of the proposal.	Except Chairman Chen, Pi-Hua who did not participate in the discussion and voting due to conflicts of interest, the proposal was approved unanimously after the Deputy

			Chairperson, independent director Kao, Peng-Wen, consulted with all other attending directors.
December 17, 2019 10th session of the 3rd Board in 2019	Proposal to the Company's year-end bonus to managers for 2019.	The Chairman Chen, Pi-Hua was a stakeholder of the proposal.	After the leaving of all non-voting members, except Chairman Chen, Pi-Hua who did not participate in the discussion and voting due to conflicts of interest, the proposal was approved unanimously after the Deputy Chairperson, independent director Kao, Peng-Wen, consulted with all other attending directors.
	Proposal to add related parties' transactions of the Company and subsidiaries.	The Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen, were the stakeholders of the proposal.	Except Chairman Chen, Pi-Hua and the representative of juristic person, Chen, Pei-Wen which did not participate in the discussion and voting due to conflicts of interest, the proposal was approved unanimously after the Deputy Chairperson, independent director Tsai, Yu-Chin, consulted with all other attending directors.
March 12, 2020 1st session of the 3rd Board in 2020	Proposal regarding the distribution of employee remuneration to	The Chairman Chen, Pi-Hua , CEO Chao, Chen-Yu and Senior Financial	Except that the Chairman Chen, Pi-Hua , CEO Chao, Chen-Yu and Senior Financial Controller

	managers for 2019.	Controller Yeh, Chien-Chih were the stakeholders of the proposal.	Yeh, Chien-Chih did not participate in the discussion and voting due to conflicts of interest and the leaving of other non-voting members, the proposal was approved unanimously after the Deputy Chairperson, independent director Kao, Peng-Wen, consulted all other attending directors.
	Proposal of the special bonuses to important managers.	The Chairman Chen, Pi-Hua , CEO Chao, Chen-Yu and Senior Financial Controller Yeh, Chien-Chih were the stakeholders of the proposal.	Except that the Chairman Chen, Pi-Hua, CEO Chao, Chen-Yu and Senior Financial Controller Yeh, Chien-Chih did not participate in the discussion and voting due to conflicts of interest and the leaving of other non-voting members, the proposal was approved unanimously after the Deputy Chairperson, independent director Kao, Peng-Wen, consulted all other attending directors.
April 21, 2020 2nd session of the 3rd Board in 2020	Proposal to lift the non-competition pledge obligations upon the newly elected directors.	The Chairman Chen, Pi-Hua and Director Wu, Sizong were the stakeholders of the proposal.	Except Chairman Chen, Pi-Hua and Director Wu, Sizong that did not participate in the discussion and voting due to conflicts of interest, the proposal was approved unanimously after

			the Deputy Chairperson, independent director Tsai, Yu-Chin, consulted with all other attending directors.
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III. TWSE/TPEX listed companies shall disclose information of the cycle and period, scope, method, and contents of the evaluation regarding the self (or peer) evaluation of the Board of Directors. The implementation of the Board of Directors' evaluation are as follows:

Cycle	Period	Scope	Method	Contents
Once a year	January 1, 2019 to December 31, 2019	Board of Directors	Board of Directors Internal self-evaluation	1. Participation in the operation of the Company 2. The decision-making quality of the Board of Directors 3. Formation and structure of the Board of Directors 4. The election and continuing education of the Board of Directors 5. Internal control statement etc.

IV. 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 Gao.
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

The Company established the Audit Committee consisting of all independent directors on August 31, 2012. To fulfill the spirit of corporate governance and operate according to "Articles of Association for Audit Committee," the Audit Committee adopts the supervision of the following items as its main purpose:

1. Adequate expression of the Company's financial statements.



2. The election (resignation), independence, and performance of the CPA.
3. Effective implementation of the Company's internal control system.
4. The Company's compliance with related laws and rules.
5. Control of the Company's existing or potential risks.

The key points of the work in 2019 are as follows:

1. Completed the assessment regarding the effectiveness of the internal control system.
2. All matters involving the personal interest of a director were submitted to the Committee for discussion.
3. Reviewed the 2018 financial reports and the financial reports Q2 in 2019.
4. Amended parts of the "Sale and Receipt Cycle" in the Company's internal control system based on the actual operation status of the Company.
5. Other major matters regulated by the competent authority or the Company.

During the current fiscal year (2019) up to the date of publication of the annual report, the Company's Audit Committee had 12 meetings (A), 10 times in 2019 and 2 times in 2020. The attendances of independent directors are presented below:

Title	Name	Number of actual attendance (B) (Note)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Tsai, Yu-Chin	12	0	100.00	
Independent Director	Kao, Peng-Wen	11	1	91.67	
Independent Director	Yu, Hung-Ding	11	1	91.67	

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 Securities and Exchange Act	Independent directors' opinions	Processing of the independent directors' opinions the Company	Resolution
May 13, 2019 4th session of the 3rd	1. Proposal to suspend the increase of re-investment for the subsidiary of	V	None	None	All attending Directors unanimously approved

term in 2019	the Company, W-Amber (Shanghai) Trade Limited.				the measure.
June 18, 2019 5th session of the 3rd term in 2019	<p>1. Proposal of the re-investment in the subsidiary, (BVI) Chlitina International Limited and participation in the capital increase of the subsidiary, Yong Li Trading Company Limited of Vietnam, in accordance with the investment structure.</p> <p>2. Proposal to apply for medium-term financial loan from CTBC Bank (Sales Department) in response to the working fund needs for the Company's operation and to increase flexibility in capital adjustments.</p> <p>3. Proposal to apply for medium-term financial loan from Shin Kong Commercial Bank (Sales Department) in response to the working fund needs for the Company's operation and to</p>	V	None	None	All attending Directors unanimously approved the measure.

		<p>increase flexibility in capital adjustments.</p> <p>4. Proposal to apply for the renewing of the short-term financial loan from Taishin International Bank (Revolving Finance Division) in response to the originally expired credit facility.</p> <p>5. Proposal to apply for the renewing of the medium-term financial loan from Taipei Fubon Commercial Bank in response to the need of maintaining the original credit facility dealings.</p>				
August 12, 2019 6th session of the 3rd term in 2019	<p>1. Proposal to report the Company's Q2 consolidated financial statements of 2019.</p> <p>2. Proposal to add related parties' transactions of the Company and subsidiaries.</p> <p>3. Proposal to acquire the real property right-of-use assets from the related party by the subsidiary, Chlitina (China)</p>	V	None	None	All attending Directors unanimously approved the measure.	

		Trade Limited. 4. Proposal to subsidiaries, W-Amber (Shanghai) Trade Limited of capital increase.				
September 26, 2019 7th session of the 3rd term in 2019	1. Proposal to increase capital for the subsidiary, Shanghai Zhemei Vocational Training Co., Ltd. 2. Proposal to increase capital for the subsidiary, Shanghai Yuanshuo Management Consulting Limited Proposal to add related parties' transactions of the Company and subsidiaries. 3. Proposal to acquire the real property right-of-use assets from the related party by the subsidiary, the Chlitina Marketing Limited Taiwan Branch.	V	None	None	All attending Directors unanimously approved the measure.	
November 12, 2019 8th session of the 3rd term in 2019	1. Proposal of the re-investment in the subsidiary, Yuanshuo (Shanghai) Enterprise Management Consulting Co., Ltd. 2. Proposal to amend parts of the "Sale and Receipt Cycle" in	V	None	None	All attending Directors unanimously approved the measure.	

		the internal control system of the Company.				
December 2, 2019 9th session of the 3rd term in 2019	1. Proposal to increase capital for the subsidiary, Yuanshuo (Shanghai) Enterprise Management Consulting Co., Ltd. 2. Proposal of re-investment in the subsidiary, Hong Kong Chlitina International Limited.	V	None	None	All attending Directors unanimously approved the measure.	
December 17, 2019 10th session of the 3rd term in 2019	1. Proposal to the Company's Internal Audit Plan of 2020. 2. Proposal to add related parties' transactions of the Company and subsidiaries.	V	None	None	All attending Directors unanimously approved the measure.	
March 12, 2020 1st session of the 3rd term in 2020	1. Proposal of the drafts regarding the business report, financial statements, and certified public accountants' audit report for 2019. 2. Proposal of the internal control statement for 2019. 3. Proposal to evaluate the Company's accountant independence, appointment of CPAs, and the	V	None	None	All attending Directors unanimously approved the measure.	

		<p>professional fee for 2020.</p> <p>4. Proposal regarding the distribution of earnings for 2019.</p> <p>5. Proposal to add related parties' transactions of the Company and subsidiaries.</p> <p>6. Proposal to increase the re-investment in the subsidiary, Hong Kong Chlitina International Limited.</p> <p>7. Proposal to amend parts of the "Rules of Procedure for Shareholders Meetings" of the Company.</p> <p>8. Proposal to amend parts of the "Procedures for the Election of Directors," "Rules Governing Operations and Procedures of the Board of Directors Meetings," and "Articles of Association for Audit Committee" of the Company.</p> <p>9. Proposal to amend parts of the "Procedures for Ethical Management and Guidelines for</p>				
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		Conduct” of the Company. 10. Proposal to establish the “Regulations Governing the First Repurchase of Shares and Transfer to Employees by Chlitina Holding Limited in 2020” in accordance with Article 28-2 of the Securities and Exchange Act and the Regulations Governing Share Repurchase by Listed and OTC Companies and to execute the repurchase of the Company’s shares.				
April 21, 2020 2nd session of the 3rd term in 2020	1. Proposal to amend the “General Provisions of Decision-making Authority” and “Decision-making Authority Table” of the Company. 2. Proposal to amend parts of the “Regulations Governing the First Repurchase of Shares and Transfer to Employees by Chlitina Holding Limited in 2020.”	V	None	None	All attending Directors unanimously approved the measure.	
(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, reason for avoiding conflicts of interest, and actual voting counts: None.

III. The Communication between the independent directors, the internal audit supervisor and the CPAs (including the major matters, methods and results regarding the communication of the Company's financial and business conditions):

- (I) After the establishment of the Company's Audit Committee on August 31, 2012, the internal audit supervisor regularly reports the implementation of audit activities to the Audit Committee every year, including the implementation of audits, internal operating matters and the implementation of improvement etc; meeting shall be called at any time in case of significant and extraordinary events.
- (II) The communication between the independent directors and the internal audit supervisor during the current fiscal year (2019) up to the date of publication of the annual report:

Date	Item of Communication	Results of Communication
March 12, 2019	For the 1st Audit Committee session of the 3rd term in 2019, the items communicated are as follows: 1. The internal audit activities of Q4 for 2018. 2. The internal control statement for 2018.	No objection.
May 13, 2019	For the 4th Audit Committee session of the 3rd term in 2019, the items communicated are as follows: 1. The internal audit activities of Q1 for 2019.	No objection.
August 12, 2019	For the 6th Audit Committee session of the 3rd term in 2019, the items communicated are as follows: 1. The internal audit activities of Q2 for 2019.	No objection.
November 12, 2019	For the 8th Audit Committee session of the 3rd term in 2019, the items communicated are as follows: 1. The internal audit activities of Q3 for 2019.	No objection.
March 12, 2020	For the 1st Audit Committee session of the 3rd term in 2020, the items communicated are as follows: 1. The internal audit activities of Q4 for 2019. 2. The internal control statement for 2019.	No objection.

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 4, 2021.

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



Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX 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/TPEX Listed Companies"?	V		The Company has established its "Practice Principles for Corporate Governance" based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and disclosed the same on the MOPS and the Company's website.	None
II. Equity structure and shareholders' rights of the corporation (I) Whether or not 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 shareholders' 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 shareholdings 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 controllers.	None
(II) 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
(III) Does the company set out internal standards to prohibit insiders from	V		(IV) The company has mandated the "Management Measures for Preventing Insider Trading", which prohibits insiders	None

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
using non-public information on the market to buy and sell securities?			to using non-public information on the market for securities trading.	
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		<p>(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 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 beauty, distribution, medical care, biotechnology and multinational Business: Chairman Chen Pi-Hua; Chen, Director Pei-Wen; Director Chu, Yi; Director Wu, Sizong; Director Tsai, Yu-Ling who is well-versed in the law, information technology and finance. The 3 independent directors are independent director Tsai, Yu-Chin, who specializes in finance and accounting, and independent directors Kao, Peng-Wen , who specializes in business and risk management and Yu, Hung-Ding, who specializes in the law, information technology.</p> <p>(III) The Company’s independent directors make up 37.5% of the Board of Directors while female directors make up</p>	None

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p>62.5% due to the respect of gender equality.</p> <p>(IV) According to Article 20 of the Company's "Practice Principles for Corporate Governance," the composition of the Board of Directors shall be aware of the gender equality and the members shall be equipped with knowledge, skills, and competency required to perform their duties.</p> <p>Please refer to Note 3 for the capabilities of individual members and the implementation of the diversity policy. The diversify policy developed by the Board of Director for the composition of its members are disclosed on the Company website.</p>	
(II) Whether the company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, is willing to establish any other functional committees voluntarily?		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 been established. It will be established if evaluated as needed in the future.	As per the descriptions in the left column
(III) Whether the Company establishes guidelines and methods for evaluating the performance of the Board of Directors, conducted regular performance evaluations every year and reported the results to the Board of Directors? Has the Company utilized the results as the reference for the individual remuneration and		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

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
reelection nomination of directors?				
(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 indicators to assess the CPA firm include the scale and reputation of the CPA firm, the number of years that the CPA firm has continuously provided audit services, the nature and scope of non-audit services provided, audit fees, peer reviews, not engaged in any legal action or under investigation by the relevant authorities, quality of audit services, status of regular continuous training, interaction with management and internal audit supervisors etc. The CPA and firm must provide the respective information and the CPA Declaration of Independence and submit the audit result to the Board for resolution. In the past 2 years, the dates in which the audit results were resolved were March 12, 2018 and March 12, 2019, respectively.	None
IV. Whether the company, which is also an exchange-listed and OTC-listed Company, delegates qualified personnel dedicated to corporate governance in an appropriate number and designates one chief corporate governance officer responsible for the corporate governance affairs (including but not limited to, the	V		The Company has not designated a chief corporate governance officer. 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. The implementation of the Company’s Corporate Governance Promotion Team in 2019 is as follows: 1. Formulate the Board meeting schedule of 2019 as the reference for the directors; inform the directors about the Board meeting with the reasons for convening 7 days prior to	None

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
provision of information required by directors and supervisors for carrying out business, assisting directors and supervisors to comply with the laws and regulations, organization of directors' meetings and shareholders' meetings according to the laws and production of directors' meetings and shareholders' meeting minutes etc.)?			<p>each Board meeting and complete the minutes of the Board meeting within 20 days after the Board meeting and deliver it to the directors.</p> <p>2. Execute matters related to the regular shareholders meeting of 2019, prepare the minutes of the shareholders meeting and distribute to the shareholders within 20 days after the meeting.</p> <p>3. Assist in the legal compliance matters related to the procedures and resolutions of the Board of Directors and the shareholders meeting: (1) Confirm the convening of the Company's shareholders meetings and Board meetings comply with relevant laws and the Principles for Corporate Governance. (2) Assist to provide relevant laws and regulations which shall be complied during the execution of duties by the directors. Where it is necessary for any director to recuse himself/herself in proposals involving the transaction with stakeholders, the Company reminded the directors to recuse himself/herself in advance based on the laws to comply with the regulations related to the transaction with stakeholders.</p> <p>4. Assist the directors (including the independent directors) in performing their duties, provide necessary information and arrange continuing education for the directors (more than 6 hours) to meet the hours of continuing education as required by the laws within the year.</p> <p>5. Purchase the "Directors and Officers Liability Insurance" of the Company, complete the insurance matters and</p>	

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p>report the insurance coverage to the Board of Directors.</p> <p>6. Review the achievement of each indicator listed in the corporate governance evaluation one by one and propose improvements and response measures for indicators not achieved.</p>	
V. Has the company established communication channels 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		<p>(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.</p> <p>(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.</p> <p>(III) The Company has a customer service hot line, which is taken charge of by a dedicated unit for maintaining good communication with consumers.</p>	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 concerning financial affairs and corporate governance ?	V		(I) The Company declares its financial, business, and corporate governance matters on the Market Observation Post System in accordance with the laws, and discloses the information on the Company website at the same time.	None

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
(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
(III) Whether the Company publicly announces and files the annual financial report within two months after the close of fiscal year and announces and files the financial reports of Q1, Q2 and Q3 and the monthly operation status prior to the regulated deadline?		V	(III) The Company has not publicly announced and filed the annual financial report within two months after the close of fiscal year, nor announces and files the financial reports of Q1, Q2 and Q3 and the monthly operation status prior to the regulated deadline.	The Company has not planned to file the financial reports and status of operation in advance.
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 and supervisors, implementation of risk management policies and risk measurement	V		Employee rights and interests and employee care: 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, funeral and maternity gifts, year-end parties, and a pregnancy-friendly environment. Health and leisure activities: Department	None

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
criteria, implementation of customer policies, and purchasing of liability insurance by the corporation for directors and supervisors, etc.)?			<p>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>Investor relationships: 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>Supplier relationships: The Company establishes partnerships with suppliers based on the principle of equality and reciprocity, in order to stabilize the supply chain.</p> <p>Stakeholders' rights: Responsibility to the customer: The Company provides safe and high-quality products and pays attention to the opinions of customers and 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>Continuing education of directors: The Company actively encourages</p>	



Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
			<p>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>Continuing education of managers: 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>Implementation of risk management policy and risk measurement criteria: 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> <p>Implementation of customer policy: Uphold the business philosophy of “customer first”, and adhere to providing the best products to consumers and franchise stores.</p> <p>Purchase of liability insurance by the company for directors and supervisors: The Company purchases the liability insurance for the directors every year and reports important matters including the amount of insurance, insurance coverage and rate regularly to the Board of Directors.</p>	
IX. Please specify the status	V		The Company has referred to the	As per the

Scope of Assessment	Status of operation (Note 1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	Yes	No	Summary	
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)			<p>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"> <li>1. The Company website has added the capabilities of individual Board members and the implementation of the diversity policy.</li> <li>2. The Company website has added the communication between the independent directors and the CPA.</li> <li>3. Information with regards to the maintenance of the work environment was added to the Company website.</li> <li>4. According to the recent results of the corporate governance evaluation and the indicators of the corporate governance evaluation announced lately, the Company reviews the indicators which meet the scoring standard one by one and arranges improvement schedule to improve items of noncompliance.</li> </ol> <p>Those who have not improved shall propose matters and measures to be strengthened with priority:</p> <ol style="list-style-type: none"> <li>1. Matters to be strengthened with priority: The information disclosure part on the Company website.</li> <li>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.</li> </ol>	descriptions in the left column

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, the Company strengthens parts of the Company's issues via the previous evaluation results to improve the level of corporate governance.

Note 3: The 8 members of the 3rd Board of Directors consist of 5 directors and 3 independent directors and each member is equipped with the necessary knowledge, skills, and experience to perform their duties. The target of industrial knowledge required for the directors is 50% and currently we have 6 directors whose industrial knowledge have reached 75%. Please refer to the following for the capabilities of individual Board members and the implementation of the diversity policy:

Diversified core projects  Name of directors	Basic Component						Industry Experience					Professional Skills				
	Nationality	Gender	serve concurrently as an employee	Ages			The term of office independ ent director		Beauty · Distribution	Medical care · Biotechnology	Information Technology	Multinational Business	Finance · Accounting	Law	Business	Risk Management
				51 ~ 60	61 ~ 70	71 ~ 75	Under 3 years	3 years ~ 9 years								
Chairperson Chen Pei-Hu	ROC	female	V	V					V	V		V			V	V
Director Chen Pei-Wen	ROC	female		V					V	V		V				
Director Chu Yi	ROC	female				V			V			V			V	V
Director Tsai Yu-Ling	ROC	female			V				V		V		V			V
Director Wu Sizong	China	male			V						V	V	V	V		
Independent Director Tsai Yu-Chin	ROC	female		V				V		V		V	V			V
Independent Director Kao Peng-Wen	ROC	female			V			V	V		V	V			V	V
Independent Director Yu Hung-Ding	ROC	female			V			V		V	V	V		V	V	

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

1. Information about the remuneration committee members

Identity (Note 1)	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	
		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			
Independent Director	Kao, Peng-Wein	-	-	V	V	V	V	V	V	V	V	V	V	V	V	0	N/A
Independent Director	Tsai, Yu-Chin	V	V	V	V	V	V	V	V	V	V	V	V	V	V	1	N/A
Independent Director	Yu, Hung-Ding	-	-	V	V	V	V	V	V	V	V	V	V	V	V	0	N/A

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's affiliates (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (3) Not the director, or his or her spouse or minor who holds, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, or is one of the Company's ten largest natural-person shareholders.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).
- (5) Not a director, supervisor, or employee that has 5% or higher ownership interest in the company, being the top-5 corporate shareholders or the institutional shareholders who designate representative as the corporate director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (6) Not a director, supervisor or employee of other Company in which the number of directors or more than half of the voting shares is under the control of the same person (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (7) Not a director, General Manager or employee of other Company or institution in which the chairman,

president or personnel with equivalent position are the same person or have spouse relationship (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relationship with the Company (the same does not apply, however, in cases where the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public Company and the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (9) Not a professional who provides audits or commercial, legal, financial or accounting services accumulating more than NT\$500,000 of remuneration obtained in recent two years to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, this shall not apply to members of the remuneration committee, review committee for public acquisitions or special committee for mergers executing their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

## 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 talents.
  - 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 parts of remuneration is paid to the directors (including independent directors) and senior managers, the characteristics of the industry and the business nature 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 guidelines 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 2nd term is from June 17, 2015 to June 16, 2018; the 3rd term shall be from June 5, 2018 to June 4, 2021; in 2019 and up to the publication date of the annual report, there were 4 Remuneration Committee meetings (A), 3 times in 2019 and 1 time in 2020. 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-Ding	3	1	75.00	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 to 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	Proposals and subsequent management	Resolution	The company's handling of the remuneration committee's opinions
November 12, 2019 2nd session of the 3rd term in 2019	1. Proposal of the recruitment and remuneration of the CEO and General Manager.	Approved by all the members unanimously.	Except Chairman Chen, Pi-Hua who did not participate in the discussion and voting due to conflicts of interest, the proposal submitted was passed unanimously after the Deputy Chairperson, Kao, Peng-Wen, consulted all the other attending directors.
December 17, 2019 3rd session of the 3rd term in 2019	1. Proposal regarding the evaluation of remuneration to directors and employees of the Company for 2020. 2. Proposal to the Company's year-end bonus to managers for 2019.	Approved by all the members unanimously.	The 1st proposal was approved by all present directors unanimously.  After the leaving of all non-voting members, except Chairman Chen, Pi-Hua who did not participate in the discussion and voting due to conflicts of interest, the 2nd proposal was approved unanimously after the Deputy Chairperson, independent

			director Kao, Peng-Wen, consulted with all other attending directors.
March 12, 2020 1st session of the 3rd term in 2020	<ol style="list-style-type: none"> <li>1. Proposal regarding the distribution of remuneration to directors and employees for 2019.</li> <li>2. Proposal regarding the distribution of remuneration to directors for 2019.</li> <li>3. Proposal regarding the distribution of employee remuneration to managers for 2019.</li> <li>4. Proposal of the special bonuses to important managers.</li> <li>5. Proposal to amend parts of the Company's "Remuneration Committee Articles of Association" and "Management Measures for the Compensation Committee."</li> </ol>	Approved by all the members unanimously.	<p>The 1st, 2nd, and 5th proposals were approved by all present directors unanimously.</p> <p>Except for Chairman Chen, Pi-Hua, CEO Chao, Chen-Yu and Senior Financial Controller Yeh, Chien-Chih that did not participate in the discussion and voting due to conflicts of interest and the leaving of other non-voting members, the 3rd and 4th proposal was approved unanimously after the Deputy Chairperson, independent director Kao, Peng-Wen, consulted with all other attending directors.</p>



**(V) Fulfillment of corporate social responsibility and the deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons**

Scope of Assessment	Status of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
I. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality? (Note 3)	V		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
II. 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 of Directors?	V		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 Chairman on the issues found, and reports the situation to the Board of Directors at least once every year.	None
III. Environment issue (I) Has the Company established environmental policies suitable for the Company’s industrial characteristics?	V		(I) The subsidiary of the Group, Weishuo (Shanghai) Daily Product Limited, has acquired the following certificates: 1. Passed ISO14001 of the international environmental system certification at the year end of 2014 and established the environmental management system (expiry date: December 25, 2020). 2. Certificate of Good Manufacturing Practice of Cosmetic Products (GMPC)	None

Scope of Assessment	Status of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
			(expiry date: August 8, 2022). 3. ISO9001 Quality Management System (expiry date: August 24, 2020).	
(II) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	V		(II) 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 changed 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
(III) Does the Company assess the present and future potential risk and opportunities of climate change in relation to the Company and adopt countermeasures related to climate issues?			The Company mainly encounters the risk of environment and operation: The operating costs may increase due to the increase in raw material cost (the product ingredients of the Company contain plant extracts) and shortage of resources (water or gas etc.) caused by extreme climate. To ease off and adapt to the climate change, the Company actively developed other product materials, established policies of energy saving and carbon reduction for the plants and implemented accordingly.	
(IV) Does the Company gather statistics of the greenhouse gas emission, water consumption and the gross weight of the waste in the past 2 years and establish policies for energy saving, carbon reduction, reduction of	V		(VI)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.	None

Scope of Assessment	Status of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
greenhouse gas emission and water consumption or other waste management?			<p>Reducing clean water consumption when changing the lines will also simultaneously reduce the production of wastewater.</p> <p>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.</p>	
<p>IV. Social issue</p> <p>(I) Whether or not the company has established the related management policies and procedures in accordance with the relevant laws and international human rights conventions?</p>	V		<p>(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.</p> <p>(II) The Company supports and adheres to the relevant international laws and guidelines on labor rights, including “UN Universal Declaration of Human Rights,” “UN Guiding Principles on Business &amp; Human Rights,” “UN Global Alliance” and “UN International Labor Organization.”</p>	None
(II) Does the Company establish and implement proper employee welfare measures (including the salary, holidays and other welfare) and reflect the corporate business performance or achievements in the employee remuneration?			<p>(I) The benefit measures of the employees are as follows: The main location of operation for the Group is Mainland China where the benefits provided by the Company include those required by the laws of the locations in which the Company operates and labor and health insurances in compliance with the local government's requirements. Besides benefits under applicable laws and 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.</p>	

Scope of Assessment	Status of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
			<p>Taiwan branch:</p> <ol style="list-style-type: none"> <li>1. Insurance: Group business insurance.</li> <li>2. Remuneration: Performance bonus, bonus to employees, gifts (cash) for three festivals and year-end bonus.</li> <li>3. Benefits: Birthday gifts, weddings, funeral and maternity gifts, year-end parties, and a pregnancy-friendly environment.</li> <li>4. Health and leisure activities: Department dinner for the staff.</li> </ol> <p>(II) Salary structure and salary adjustment mechanism:</p> <ol style="list-style-type: none"> <li>1. Salary structure: The salary of the Company is paid on the basis of 12 month. Also, the bonus systems for irregular payments are as follows: <ol style="list-style-type: none"> <li>a. Performance bonus: this is distributed according to the annual work performance based on the business result of the Company after the end of the year.</li> <li>b. Year-end bonus: the year-end bonus is distributed based on the business result of the Company after the end of the year.</li> <li>c. Sales bonus: this is distributed according to the sales bonus regulations of the “Sales performance or various KPIs.”</li> <li>d. Special bonus: this is distributed according to the “Special Project Contribution.”</li> </ol> </li> <li>2. Salary adjustment mechanism: the mechanism includes the salary adjustment for probation, annual adjustment and special adjustment: <ol style="list-style-type: none"> <li>a. Salary adjustment for probation: the new employee evaluated seems to be excelling in the position on probation.</li> </ol> </li> </ol>	

Scope of Assessment	Status of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
			<p>b. Annual salary adjustment: this depends on the annual operation conditions of the Company, price fluctuation, status of the human resource market and work performance etc.</p> <p>c. Special salary adjustment: this is due to the talent competition and other special considerations.</p>	
(III) Whether the company provides the existence of a safe and healthy work environment, and conducts regular health and safety training for employees?	V		<p>(III) The offices of the Company have independent access control system and the designated personnel of the Operation Department is responsible for the holder registration and the usage of the access card.</p> <p>The Company regularly (more than once a year) overhauls the fire equipment, sanitary equipment, and escape doors (ladders) of the workplace, holds fire control drills and provides the benefit of an annual health examination for employees, and organizes labor safety and health education training once every year to implement providing a safe and healthy working environment for employees.</p> <p>To ensure the workplace safety, combustible or hazardous materials shall not be stored within the premises and smoking is prohibited within the workplace in accordance with regulations of the Tobacco Hazards Prevention Act. The drinking water equipment must be implemented according to the regulatory standards of drinking water with regular maintenance and cleaning at least once a year. For the environmental sanitation management as well as the cleaning and maintenance of the workplace, the Company commissioned</p>	

Scope of Assessment	Status of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
			profession cleaning company to maintain the quality of the environmental sanitation everyday. (Perform environment and equipment sterilization of the workplace at least twice a year)	
(IV) Whether the company has established some effective career development training plan for employees?	V		(IV) 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 the quality and work skills of the employees, the Company provides pre-service training for new employees upon accession and conducts general and specialized training irregularly as needed so that the employees not only can perform their current duties properly, but also acquire necessary skills for promotion. Long-term management and training are provided to employees at respective management levels through e-learning.	None
(V) Does the Company comply with relevant laws and international standards with regards to the customer’s health, safety and privacy, marketing and labeling in relation to the products and services and establish relevant policies and complaint procedure to protect the right of the customers?	V		(V) The marketing and labeling of the Company's products have been audited by a dedicated unit to confirm that the sale is listed after complying with the relevant regulations of the local government and international standards. 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 of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
(VI) Does the Company establish the supplier management policy to require the supplier to comply with relevant regulations on issues of environmental protection, occupational safety and health or labor rights and provide its status of implementation?	V		(VI) 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. 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. The audit unit of the Company audits whether the supplier complies with the regulations of the Company during the periodic audits of the purchase and payment cycle every year.	None
V. Does the Company refer to the international criteria or instructions on the preparation of reports to prepare reports disclosing the non-financial information of the Company, such as the corporate social responsibility report? Does the report mentioned above have been assured, verified or certified by a third party?	V		The Company has disclosed relevant information about corporate responsibility on the Company's website, annual reports, and public brochures.	None
VI. If the Company has established the corporate social responsibility principles based on the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the established principles and its implementation: In March 2013, the Company implemented the ‘Corporate Social Responsibility Principles’ approved by the Board of Directors. The operation of the corporate				

Scope of Assessment	Status of operation (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary (Note 2)	
social responsibility is conducted in full compliance with the contents of the Best-Practice Principles and relevant regulations.				
VII. Other information material to the understanding of the corporate social responsibility:				
1. Environmental protection: The Company is responsible for environmental protection by law enforcement.				
2. 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 .				
3. Consumer rights and interests: The Company has a customer service hotline responsible for handling customer complaints.				
4. 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 and Human Rights,” “UN Global Alliance” and “UN International Labor Organization.”				
5. Safety and health care: The Company is in line with the government regulations to implement safety and health affairs.				
6. 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.				
7. Record of the awards: The Company participated in the international brand ceremony “2019 Top 20 Best Taiwan Global Brands” held by the Industrial Development Bureau, Ministry of Economic Affairs. Chlitina stood out by winning this Award for 4 consecutive years and won the honor of the “Top 20 Best Taiwan Global Brands” by its brand value of NTD 3 billion in 2019 which made Chlitina the only international brand awarded in the cosmetic industry in Taiwan.				

Note 1: If “Yes” is marked for the status of operation, please specify the important policies, strategies and measures taken and the status of implementation; If “No” is marked for the status of operation, please explain the reason and specify the relevant plans to be taken in the future, including the policies, strategies and measures.

Note 2: Where the Company has prepared a Corporate Social Responsibility Report, the status 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.

Note 3: The principle of materiality refers to the issues related to the environment, society and corporate governance which have significant impact on the investor and other stakeholders of the Company.



**(VI) Fulfillment of ethical management and deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons**

Scope of Assessment	Status of operation (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program (I) Whether the Company establishes the ethical management policy approved by the Board of Directors and expressly states the ethical policy and its fulfillment by the Board of Directors and the senior 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) Does the Company establish a risk assessment mechanism against unethical conduct and regular analyze and assess business activities within their business scope which are at a higher risk of being involved in unethical conduct to establish prevention programs accordingly with the inclusion of the prevention measures against each behavior specified in Article 7 Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	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 them. The Company has established the “Measures to Prosecute Cases of Unlawful and Immoral or Dishonest Conduct” approved by the Board of the Directors. In case of bribery, requiring or promising any illegal benefit or promise, timely whistleblowing may be submitted accordingly for punishment.	None
(III) Does the Company specify the operating procedures, behavior guidelines,	V		(III) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” to specify	None

<p>discipline and complaint systems for violation in the prevention program for unethical conduct, and implement the program accordingly? Does the Company regular review and modify the program mentioned above?</p>		<p>the operating procedures, guidelines and discipline and complaint systems for violation.</p> <p>The Company has established internal control systems and regulations for business activities that are more likely to be unethical, and internal auditors have also stepped up checking on such items during the annual auditing each year to reduce the likelihood of unethical behavior.</p>	
<p>II. Implementation of ethical management (I) Whether the Company assesses a trading counterpart's ethical management records and expressly states the ethical management clause in the contract to be signed with the trading counterpart?</p>	V	<p>(I) The Company will evaluate the related record with the counter party 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.</p>	None
<p>(II) Does the Company establish a specific unit subject to Board of Directors to promote corporate ethical management and regularly (at least once a year) report the ethical management policy, prevention program of unethical conduct and implementation status of supervision to Board of Directors?</p>	V	<p>(II)</p> <ol style="list-style-type: none"> <li>1. The Corporate Governance Promotion Group of the Company is currently responsible for promoting matters related to ethical management. The convener and deputy convener were appointed by the Board of Directors to promote business and reported the implementation to the Board of Directors on April 21, 2020.</li> <li>2. The Company fulfilled the ethical management policy faithfully and the relevant implementation in 2019 is as follows: <ol style="list-style-type: none"> <li>a. Assisting in incorporating ethics and moral values into the Company's business strategy and establishing appropriate prevention measures against corruption to ensure ethical management in compliance with the laws and regulations: The Company has established the "Procedures for Ethical Management and Guidelines for</li> </ol> </li> </ol>	None

		<p>Conduct” on March 29, 2013 as reference and amended the Procedures and Guidelines according to relevant laws and regulations and the Company’s needs. The latest amendment is made on March 12, 2020.</p> <p>b. Analyzing and assessing the risk of unethical conduct within the Company’s business scope, and adopting programs accordingly to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines: The Company has performed the audit in line with the internal control and reviewed regularly on a quarterly basis. The Company also reported to the Audit Committee and the Board of Directors to prevent the risk of unethical conduct.</p> <p>c. Promoting and coordinating awareness and educational activities with respect to ethical policy: The Company performs regular promotions of ethical conduct for each department and describes the regulations related to ethical corporate management during the educational training of the new employees. Also, the Company places the brief of the insider trading course in the internal shared disk for the employees to serve as the reference.</p> <p>d. Developing a whistle-blowing system and ensuring its operating effectiveness: Pursuant to the internal control system and the “Measures to Prosecute Cases of Unlawful and Immoral or Dishonest Conduct” established on November 8, 2018, the Company established the procedures and measures related to the whistleblowing of any illegal conduct and violation against the Code of Ethical Conduct or ethical management.</p> <p>e. Assisting the Board of Directors and the management to audit and assess the effectiveness of preventive measures established for ethical management implementation and assess the compliance of relevant operating procedures, and make regular reports:</p>	
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		The Company assisted to provide relevant laws and regulations which shall be complied during the execution of duties by the directors. Where it is necessary for any director to recuse himself/herself in proposals involving the transaction with stakeholders, the Company reminded the directors to recuse himself/herself in advance based on the laws to comply with the regulations related to the transaction with stakeholders.	
(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 a conflict of interest occurs is also stated, by which the Company's staff can implement the following procedures.	None
(IV) Whether the company fulfills its ethical management responsibility by establishing an effective accounting system and internal control system and drafts relevant audit plans by the internal audit unit based on the risk assessment results of the unethical conduct? Does the compliance of prevention program for the unethical conduct audited accordingly by the audit office or committed accountants?	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 operations with integrity into our corporate culture and promotes the concept in various conferences and educational training sessions to implement the policy. The number of participants in the internal and external training (including legal compliance with the ethical management, products and accounting systems etc.) organized by the Company	None

			in 2019 was 240 persons with a total of 1,920 hours.	
III. Status of the Company's complaint system				
(I) Whether or not the company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	V		(I) The Company has identified the whistleblowing and reward system as per the "Measures to Prosecute Cases of Unlawful and Immoral or Dishonest Conduct." Whistleblowing can be made through the management, internal audit supervisor and relevant unit of the Company or the whistleblowing channels provided by the Company (whistleblowing mailbox: audit@cn.chlitina.com) and the responsible unit designated by the Corporate Governance Promotion Team is fully responsible for handling the whistleblowing matters.	None
(II) Whether the Company has defined the standard operating procedures for the investigation of the accepted whistleblowing, follow-up measures taken after the completion of investigation and relevant confidentiality mechanism?	V		(II) In accordance with the "Measures to Prosecute Cases of Unlawful and Immoral or Dishonest Conduct," the Company has specified relevant confidentiality mechanism in which the relevant personnel responsible for the whistleblowing case shall strictly keep the identity of the whistleblower and the contents of the whistleblowing confidential.	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
IV. 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 operations 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
V. If the Company has established the ethical management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancies between the principles and their implementation: The Company has established the ethical management principles and implemented the operation in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed				

Companies.”

- VI. 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.
  - (IV) To be in line with the laws and regulations, the Board of Directors discussed and approved the amendment of the “Procedures for Ethical Management and Guidelines for Conduct” on March 12, 2020 to promote the effectiveness of the ethical corporate management.

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 disclosed the corporate governance principles and related regulations on the Company website or by other means. The IR Investor Section of the Company: <http://www.chlitinaholding.com/>

**(VIII) Other important information to increase the understanding of corporate governance: The Company holds investor press conferences regularly and information related to the investor press conferences is disclosed on the Company website and MOPS.**

(IX) Implementation of the internal control system:

1. Internal control statement (the appendix will be inserted while typesetting)

麗豐股份有限公司  
內部控制制度聲明書

日期：民國一〇九年三月十二日

本公司民國一〇八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，認為本公司於民國一〇八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一〇九年三月十二日董事會通過，出席董事八席中(含獨立董事三席)，有0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 簽章



總經理：趙承佑 簽章



**(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 Regular Shareholders Meetings and Ad Hoc Shareholders' Meetings:**

Date	Meeting type	Significant resolutions	Implementation status
June 5, 2019	Regular shareholders meeting	1. Proposal for the 2018 business report.	The Chairperson consulted all the participating shareholders.
		2. Proposal for an audit report of 2018 from the audit committee.	The Chairperson consulted all the participating shareholders.
		3. Report 2018 employees' profit sharing bonus and directors' compensation.	The Chairperson consulted all the participating shareholders. The allocation of compensation is: employees are allotted NTD 25,467,700 and directors are allotted NTD 12,733,850, and all paid in cash.
		4. Proposal for related parties' transactions statements of 2018.	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. The proposal was completed on November 13, 2018.
		6. Proposal for the business report and financial statements of 2018.	Upon voting, the proposal was approved accordingly as original. The operating revenue of the Company in 2018 was NTD 4,578,513,000, the current net profit was NTD 1,218,880,000 and earnings per share of common stock was NTD 15.4.
		7. Proposal for the distribution of earnings of 2018	Upon voting, the proposal was approved accordingly as original. For the earnings distribution of the Company in 2018, the earnings available for allocation of dividends to shareholders totaled NTD 953,908,200, where cash dividends amounted



			<p>to NTD 953,908,200. (Based on the qualified distributable share of 79,492,350 shares which is as of March 8, 2019, cash dividend per share was NTD the 12), and were rounded to dollars, with the total number less than one dollar transferred to other income by the Company.</p> <p>July 31, 2019 was set as the dividend record, and the cash dividends were distributed on August 29, 2019.</p>
		8. Adopted the proposal to amend parts of the Company's "Articles of Incorporation."	Upon voting, the proposal was approved accordingly as original and the Cayman government of British Virgin Island approved the registration of changes on June 19, 2019.
		9. Adopted the proposal to amend parts of the Company's "Regulations Governing the Acquisition and Disposal of Assets."	Upon voting, the proposal was approved accordingly as original, announced on the Company website on June 5, 2019 and completed according to the amended procedures.
		10. Adopted the proposal to amend parts of the Company's "Management Approach for Loans to others."	Upon voting, the proposal was approved accordingly as original, announced on the Company website on June 5, 2019 and completed according to the amended procedures.
		11. Adopted the proposal to amend parts of the Company's "Management Approach for Endorsement and Guarantees."	Upon voting, the proposal was approved accordingly as original, announced on the Company website on June 5, 2019 and completed according to the amended procedures.
		12. Adopted the proposal to lifting of the non-competition pledge obligations upon the newly elected directors.	Upon voting, the motion was approved accordingly as original and executed in accordance with the resolution of the shareholders' meeting.

## 2. Significant board resolutions

Date	Meeting type	Significant resolutions
May 13, 2019	Board of Directors	<ol style="list-style-type: none"> <li>1. Aware of the proposal regarding internal audit activities of Q1 for 2019.</li> <li>2. Aware of the proposal regarding important business matters of Q1 for 2019.</li> <li>3. Aware of the proposal regarding the consolidated financial statements of Q1 for 2019.</li> <li>4. Aware of the proposal regarding related parties' transactions.</li> <li>5. Aware of the proposal regarding securities exchange.</li> <li>6. Adopted the proposal to suspend the increase of re-investment for the subsidiary of the Company, W-Amber (Shanghai) Trade Limited.</li> </ol>
June 18, 2019	Board of Directors	<ol style="list-style-type: none"> <li>1. Adopted the proposal to establish the cash dividend distribution base date and distribute date.</li> <li>2. Adopted the proposal of the re-investment in the subsidiary, (BVI) Chlitina International Limited and participation in the capital increase of the subsidiary, Yong Li Trading Company Limited of Vietnam, in accordance with the investment structure.</li> <li>3. Adopted the proposal to apply for medium-term financial loan from CTBC Bank (Sales Department) in response to the working fund needs for the Company's operation and to increase flexibility in capital adjustments.</li> <li>4. Adopted the proposal to apply for medium-term financial loan from Shin Kong Commercial Bank (Sales Department) in response to the working fund needs for the Company's operation and to increase flexibility in capital adjustments.</li> <li>5. Adopted the proposal to apply for the renewing of the short-term financial loan from Taishin International Bank (Revolving Finance Division) in response to the expired credit facility.</li> <li>6. Adopted the proposal to apply for the renewing of the medium-term financial loan from Taipei Fubon Commercial Bank in response to the need of maintaining the original credit facility dealings.</li> <li>7. Adopted the proposal to establish the "Standard Operating Procedure for Handling Directors' Requirements" of the Company as required by law.</li> </ol>
August 12, 2019	Board of Directors	<ol style="list-style-type: none"> <li>1. Aware of the proposal regarding internal audit activities of Q2 for 2019.</li> <li>2. Aware of the proposal regarding important business matters of Q2 for 2019.</li> <li>3. Aware of the proposal regarding the Company's consolidated financial statements of Q2 for 2019.</li> </ol>

		<ol style="list-style-type: none"> <li>4. Aware of the proposal regarding related parties' transactions.</li> <li>5. Aware of the proposal regarding securities exchange.</li> <li>6. Adopted the proposal to add related parties' transactions of the Company and subsidiaries.</li> <li>7. Adopted the proposal to acquire the real property right-of-use assets from the related party by the subsidiary, Chlitina (China) Trade Limited.</li> <li>8. Adopted the proposal regarding subsidiaries, W-Amber (Shanghai) Trade Limited of capital increase.</li> </ol>
September 26, 2019	Board of Directors	<ol style="list-style-type: none"> <li>1. Aware of the proposal to increase the re-investment for the subsidiary, Jingya (Shanghai) Trading Co., Ltd.</li> <li>2. Aware of the proposal to increase the re-investment for the subsidiary, Hong Kong W-Amber International Limited.</li> <li>3. Aware of the proposal to increase capital for the subsidiary, Shanghai Zhemei Vocational Training Co., Ltd.</li> <li>4. Adopted the proposal to increase capital for the subsidiary, Shanghai Zhemei Vocational Training Co., Ltd.</li> <li>5. Adopted the proposal to increase capital for the subsidiary, Shanghai Yuanshuo Management Consulting Limited.</li> <li>6. Adopted the proposal to add related parties' transactions of the Company and subsidiaries.</li> <li>7. Adopted the proposal to acquire the real property right-of-use assets from the related party by the subsidiary Chlitina Marketing Limited Taiwan Branch.</li> </ol>
November 12, 2019	Board of Directors	<ol style="list-style-type: none"> <li>1. Aware of the proposal regarding internal audit activities of Q3 for 2019.</li> <li>2. Aware of the proposal regarding important business matters of Q3 for 2019.</li> <li>3. Aware of the proposal regarding consolidated financial statements of Q3 for 2019.</li> <li>4. Aware of the proposal regarding related parties' transactions.</li> <li>5. Aware of the proposal regarding securities exchange.</li> <li>6. Aware of the proposal to increase the re-investment for the subsidiary, Lishuo Biotechnology (Shanghai) Co., Ltd.</li> <li>7. Aware of the proposal to increase the re-investment for the subsidiary, Shanghai Yuanshuo Management Consulting Limited.</li> <li>8. Adopted the proposal to amend parts of the "Sales and</li> </ol>

		<p>Receipt Cycle” in the internal control system of the Company.</p> <p>9. Adopted the proposal to recruit CEO and General Manager.</p> <p>10. Adopted the proposal to lift the non-competition pledge obligations upon the managers of the Company.</p>
December 2, 2019	Board of Directors	<p>1. Adopted the proposal to increase capital for the subsidiary, Shanghai Yuanshuo Management Consulting Limited.</p> <p>2. Adopted the proposal of re-investment in the subsidiary, Hong Kong Chlitina International Limited.</p>
December 17, 2019	Board of Directors	<p>1. Adopted the proposal regarding the evaluation of remuneration to directors and employees of the Company for 2020.</p> <p>2. Adopted the proposal to the Company's year-end bonus to managers for 2019.</p> <p>3. Adopted the proposal to the Company’s internal audit plan of 2020.</p> <p>4. Adopted the proposal to add related parties' transactions of the Company and subsidiaries.</p> <p>5. Adopted the proposal of the Company’s 2020 operational plans and business budget.</p>
March 12, 2020	Board of Directors	<p>1. Aware of the proposal regarding internal audit activities of Q4 for 2019.</p> <p>2. Aware of the proposal regarding important business matters of Q4 for 2019.</p> <p>3. Aware of the proposal regarding related parties' transactions.</p> <p>4. Aware of the proposal regarding the Company’s preparation capability of the financial reports.</p> <p>5. Aware of the proposal regarding securities exchange.</p> <p>6. Aware of the proposal to continue buying "Directors and Officers Liability Insurance" of the Company.</p> <p>7. Adopted the proposal regarding the business report, financial statements and certified public accountants’ audit report for 2019.</p> <p>8. Adopted the proposal regarding the distribution of remuneration to directors and employees for 2019.</p> <p>9. Adopted the proposal regarding the distribution of remuneration to directors for 2019.</p> <p>10. Adopted the proposal regarding the distribution of remuneration to managers for 2019.</p>

		<ol style="list-style-type: none"> <li>11. Adopted the proposal of the special bonuses to important managers.</li> <li>12. Adopted the proposal to amend parts of the Company's "Remuneration Committee Articles of Association" and "Management Measures for the Compensation Committee."</li> <li>13. Adopted the proposal regarding the internal control statement for 2019.</li> <li>14. Adopted the proposal to evaluate the Company's accountant independence, appointment of CPAs and the professional fee for 2020.</li> <li>15. Adopted the proposal regarding the distribution of earnings of 2019.</li> <li>16. Adopted the proposal to add related parties' transactions of the Company and subsidiaries.</li> <li>17. Aware of the proposal to increase the re-investment in the subsidiary, Hong Kong Chlitina International Limited.</li> <li>18. Adopted the proposal to amend parts of the Company's "Articles of Incorporation."</li> <li>19. Adopted the proposal to amend parts of the Company's "Ethical Corporate Management Best Practice Principles."</li> <li>20. Adopted the proposal to amend parts of the Company's "Procedures for Ethical Management and Guidelines for Conduct" of the Company."</li> <li>21. Adopted the proposal to amend parts of the Company's "Practice Principles for Corporate Governance" and "Practice Principles for Corporate Social Responsibility."</li> <li>22. Adopted the proposal to convene a regular shareholders meeting of 2020.</li> <li>23. Adopted the proposal to establish the "Regulations Governing the First Repurchase of Shares and Transfer to Employees by Chlitina Holding Limited in 2020" in accordance with Article 28-2 of the Securities and Exchange Act and the Regulations Governing Share Repurchase by Listed and OTC Companies and to execute the repurchase of the Company's shares.</li> </ol>
April 21, 2020	Board of Directors	<ol style="list-style-type: none"> <li>1. Aware of the proposal regarding the status of corporate governance for 2019.</li> <li>2. Adopted the proposal to amend the "General Provisions of Decision-making Authority" and "Decision-making Authority Table" of the Company.</li> <li>3. Adopted the proposal to amend parts of the "Regulations Governing the First Repurchase of Shares and Transfer to</li> </ol>

		<p>Employees by Chlitina Holding Limited in 2020.”</p> <p>4. Adopted the proposal to amend parts of the Company’s “Articles of Incorporation.”</p> <p>5. Adopted the proposal to lifting of the non-competition pledge obligations upon the newly elected directors.</p>
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**(XII) The main contents of the important resolutions passed by the Board of Directors regarding which directors (including independent directors) or supervisors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of this annual report: None.**

**(XIII) In the most current fiscal year up to the date on which the annual report was printed, the resignation and layoff of the Company’s Chairman, General Manager, accounting supervisors, finance supervisors, internal audit supervisors and R&D supervisors are summarized as below:**

Title	Name	Date of Appointment	Date of Discharge	Cause for resignation or discharge
Audit supervisor	Shih, Miao-Ching	August 9, 2018	April 23, 2019	Positions adjustment
General manager of Taiwan and Southeast Asia	Kao, Shou-Kang	August 8, 2017	January 31, 2020	Personal career planning

## V Information of Independent Auditor Fee

As of December 31, 2019;  
Unit: NTD 1,000

Accounting firm name	Name of accountant	Audit Fees	Non-Audit Fees					Whether the CPA’s audit period covers the full fiscal year			Remarks
			System Design	Business Registration	Human Resources	Others	Subtotal	Yes	No	Audit period	
Pricewaterhouse Coopers Certified Public Accountants	Lin, Chun-Yao and Chang,	11,000	0	0	0	378	378	V	-	January 1, 2019 ~ December 31, 2019	Note

nts	Shu-Chiung										
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Note: 1. The Company does not have the issues 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 Chairman and the accountant for resolution.

- (I) When non-audit fees paid to the CPA, CPA firm, or to its affiliated enterprise of such 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: The non-audit services refers to the advances and the consulting service fees for 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 10% as compared with the previous year, the amount, proportion and reason for the audit fee reduction shall be disclosed: No such cases. Information of replace the independent auditor: None.

**VI Auditing firm or its affiliates at which the Company's Chairman, president, or managers responsible for financial or accounting matters was an employee over the past year: None.**

**VII 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 with a stake of more than 10%:

Unit: 1000 shares

Title	Name	2019		As of April 30, 2020 (Note 1)	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Chen, Pi-Hua	0	0	0	0
Directors and major shareholders	Wealthy Garden Investment Limited (Wealthy Garden Investment Limited)	0	0	0	0
Director representative:	Chen, Pei-Wen	0	0	0	0
Director	Chu, Yi	0	0	0	0

Director	Wu, Sizong	0	0	0	0
Director	Tsai, Yu-Ling	0	0	0	0
Independent Director	Tsai, Yu-Chin	0	0	0	0
Independent Director	Kao, Peng-Wen	0	0	0	0
Independent Director	Yu, Hung-Ding	0	0	0	0
CEO	Chao, Chen-Yu	0	0	0	0
General Manager of Mainland China Area	Yang, Chi-Chih	0	0	0	0
Deputy General Manager of Supply Chain	Lin, Mei-Fang	0	0	0	0
Finance & Accounting Department Senior CEO	Yeh, Chien-Chih	0	0	0	0
Deputy General Manager of the Legal Affairs Department	Wang, Yu-Xia (Note 2)	0	0	0	0
Deputy General Manager of the Marketing Department	Chen, Pai-Ying (Note 3)	0	0	0	0
Deputy General Manager of the Sales Training Department	Yeh, Mei-Feng (Note 4)	0	0	0	0
General manager of Taiwan and Southeast Asia	Kao, Shou-Kang (Note 5)	0	0	0	0

Note 1: As of the date of book closure, which is April 7, 2020 to June 5, 2020.

Note 2: Wang Yu-Xia, Deputy General Manager of the Legal Affairs Department, was discharged on July 2, 2019.

Note 3: Chen Pai-Ying, Deputy General Manager of the Marketing Department, was discharged on January 7,



2020.

Note 4: Yeh Mei-Feng, Deputy General Manager of the Sales Training Department, was discharged on January 31, 2020.

Note 5: Kao Shou-Kang, General manager of Taiwan and Southeast Asia, was discharged on January 31, 2020.

(II) Equity transfer information: None.

(III) Equity pledge information: None.

### VIII Information of the Top 10 Shareholders Being Related Parties

April 30, 2020

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholders 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		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of 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 Chairman is a first-degree relative	
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited	The same person serves as Chairman	

							CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd.	The Chairman is a second-degree relative	
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Gold Dragon (Asia) Limited	The same person serves as Chairman	
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 Chairman is a first-degree relative	-
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited	The Chairman is a first-degree relative	
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Gold Dragon (Asia) Limited	The Chairman is a first-degree relative	
							CTBC Bank Co., Ltd. acting as custodian for the investment account of	The Chairman is a first-degree relative	

							Shouxin Development Co., Ltd.	e	
3. Fuh Hwa commissioned for the discretionary investment of Fubon Life Assurance Co.,LTD.	3,162,000	3.98%	-	-	-	-	-	-	-
4. Nan Shan Life Insurance Company, Ltd.	2,511,000	3.16%	-	-	-	-	-	-	-
5. CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd. Representative: Chao, Chen-Yu	1,950,617	2.45%		-	-	-	Cathay United Commercial Bank Co., Ltd. acting as custodian for Wealthy Garden Investment Limited	The Chairman is a second-degree relative	-
							CTBC Bank Co., Ltd. acting as custodian for J&R International Holding Limited	The Chairman is a first-degree relative	
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited	The Chairman is a second-degree relative	
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Gold Dragon (Asia)	The Chairman is a second-degree relative	

							Limited	e	
6. 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 Chairman	-
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Gold Dragon (Asia) Limited	The same person serves as Chairman	
							CTBC Bank Co., Ltd. acting as custodian for J&R International Holding Limited	The Chairman is a first-degree relative	
							CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd.	The Chairman is a second-degree relative	
7. Deutsche Bank AG acting as custodian for the investment account of the local shares in Wellington emerging market	1,373,272	1.73%	-	-	-	-	-	-	-
8. Citibank acting as custodian for the	1,161,000	1.46%	-	-	-	-	-	-	-

investment account of Norges Bank									
9. Cathay United Commercial Bank Co., Ltd. acting as custodian for Gold Dragon (Asia) Limited Representative: Chen, Wu-Kang	973,200	1.22%	-	-	-	-	Cathay United Commercial Bank Co., Ltd. acting as custodian for Wealthy Garden Investment Limited	The same person serves as Chairman	-
							Cathay United Commercial Bank Co., Ltd. acting as custodian for Hundred Fortune Asia Limited	The same person serves as Chairman	
							CTBC Bank Co., Ltd. acting as custodian for J&R International Holding Limited	The Chairman is a first-degree relative	
							CTBC Bank Co., Ltd. acting as custodian for the investment account of Shouxin Development Co., Ltd.	The Chairman is a second-degree relative	
10. TransGlobe Life Insurance Inc.	954,000	1.20%	-	-	-	-			

**IX 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, 2019, Unit: Shares

Invested enterprise	Investment made by the company		Investment by directors, supervisors, and managers or by directly or indirectly controlled enterprises		Total investment	
	Number of Shares	Share holding Ratio	Number of Shares	Share holding Ratio	Number of Shares	Share holding Ratio
Chlitina Group Limited	1,916,707,348	100%	-	-	1,916,707,348	100%
Chlitina International Limited	17,350,001	100%	-	-	17,350,001	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 Developpement de CHLITINA FRANCE EURL	500	100%	-	-	500	100%
Hong Kong Chlitina International Limited	69,850,001	100%	-	-	69,850,001	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	97,400,000	100%	-	-	97,400,000	100%

W-Champion International Limited	930,000	100%	-	-	930,000	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%
Jingya International Marketing Limited	20,000	100%	-	-	20,000	100%
Hong Kong Jingya International Marketing Limited	100,000	100%	-	-	100,000	100%
Yong Li Trading Company Limited	(Note)	100%	-	-	(Note)	100%
HUAPAO SDN. BHD.	500,000	100%	-	-	500,000	100%
Chlitina (China) Trade Limited	(Note)	100%	-	-	(Note)	100%
Weishuo (Shanghai) Daily Product Limited	(Note)	100%	-	-	(Note)	100%
W-Champion (Shanghai) Trade Limited	(Note)	100%	-	-	(Note)	100%
W-Amber (Shanghai) Trade Limited	(Note)	100%	-	-	(Note)	100%
Jingya (Shanghai) Trade Limited	(Note)	100%	-	-	(Note)	100%
Shanghai Yuanshuo Management Consulting Limited	(Note)	100%	-	-	(Note)	100%

Shanghai Zhemei Vocational Training Co., Ltd.	(Note)	100%	-	-	(Note)	100%
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%
Shanghai Zhongye Trading Co., Ltd.	(Note)	30%	-	-	(Note)	30%
Lishuo Biotechnology (Shanghai) Co., Ltd.	(Note)	100%	-	-	(Note)	100%
Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd. (Changed from Shanghai Aobaojia Medical Beauty Treatment Clinic Co., Ltd.)	(Note)	100%	-	-	(Note)	100%
Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. (Changed from Aobaojia Medical Beauty Treatment Clinic (Nanjing) Co., Ltd.)	(Note)	100%	-	-	(Note)	100%
Shanghai Lunxin Medical Beauty	(Note)	100%	-	-	(Note)	100%



Treatment Clinic Co., Ltd.						
Jinghe Clinic (Nanjing) Co., Ltd.	(Note)	100%	-	-	(Note)	100%
Hedeng Clinic (Shanghai ) Co., Ltd.	(Note)	100%	-	-	(Note)	100%

**Note: Limited company, no shares issuance.**

## Four. Financing Status

### I Capital and shares

#### (I) Capital sources

April 30, 2020; Unit: 1000 shares; NTD 1,000

Date	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Capital sources	Collateralize with assets other than cash	Others
July 2012	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
August 2012	NT\$10	200,000	2,000,000	66,800	668,000	Capital increase of NTD 648,000,000 out of additional paid-in capital	-	Note 2
November 2013	NT\$168	200,000	2,000,000	75,707	757,070	Capital increase in cash NTD 1,496,376,000	-	Note 3
August 2014	NT\$10	200,000	2,000,000	79,492	794,924	Capital increase of 37,854,000 out of earnings	-	Note 4

Note 1: The Company was established on July 3, 2012, and the share capital for establishment was NTD 20,000,000 with a face value of NTD 10 per share.

Note 2: An increase of NTD 648,000,000 in 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 1,496,376,000.

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, 2020; Unit: 1000 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 March 12, 2020 and the number of shares bought back

				totalled 285,000 shares as of April 30, 2020. As of the date on which the annual report was printed, the Company's actual number of shares outstanding was 79,207,000 shares.
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(II) Shareholder structure

April 30, 2020

Shareholder structure Quantity	Government agencies	Financial institutions	Person in Mainland China	Other institutions	Individuals	Foreign institute and others	Total
Number of person	0	0	2	49	6,533	145	6,729
Number of shares held (1,000 shares)	0	0	117,000	8,012,277	20,374,133	50,988,940	79,492,350
Shareholding ratio (%)	0.00%	0.00%	0.15%	10.08%	25.63%	64.14%	100.00%

Note: The date of the Company's book disclosure is April 7, 2020 to June 5, 2020.

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

April 30, 2020

Shareholding category	Number of shareholders	Number of shares held (shares)	Shareholding ratio (%)
1 to 999	797	87,751	0.11%
1,000 to 5,000	5,145	9,217,692	11.60%
5,001 to 10,000	389	3,072,532	3.87%
10,001 to 15,000	112	1,440,353	1.81%
15,001 to 20,000	76	1,392,262	1.75%
20,001 to 30,000	61	1,586,640	2.00%
30,001 to 50,000	52	2,083,086	2.62%
50,001 to 100,000	42	2,993,928	3.77%
100,001 to 200,000	24	3,337,830	4.20%
200,001 to 400,000	13	3,415,848	4.30%
400,001 to 600,000	2	925,950	1.17%
600,001 to 800,000	4	2,704,660	3.40%
800,001 to 1,000,000	4	3,743,127	4.71%
Over 1,000,001	8	43,490,691	54.71%
Total	6,729	79,492,350	100.00%

Note: The date of the Company's book disclosure is April 7, 2020 to June 5, 2020.

(IV) Major shareholders list: Shareholders whose shareholding ratio exceeded 5%  
April 30, 2020; Unit: 1000 shares

Major Shareholders	Shares	Number of shares held (1,000 shares)	Shareholding ratio (%)
Cathay United 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, 2020 to June 5, 2020.

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

Unit: NTD; 1,000 shares

Item		Year	2018	2019	As of Q1 2020
Market price per share (Note 1)	Highest		344.50	316.00	252.50
	Lowest		125.00	198.00	145.50
	Average		225.71	252.85	199.12
Net worth per share (Note 2)	Before distribution (NTD)		51.75	55.12	Note 9
	After distribution (NTD)		39.75	Note 8	-
Earnings per share (Note 3)	Weighted average number of shares (1,000 shares)		79,150	79,492	Note 9
	Earnings per share (NTD)	Before adjustment	15.40	18.02	Note 9
		After adjustment	15.40	18.02	Note 9
Dividends per share	Cash dividend (NTD)		12.00	13.00 (Note 8)	-
	Bonus shares (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)		14.66	Note 8	-
	P/D ratio (Note 6)		18.81	Note 8	-
	Cash dividend yield (Note 7)		5.32%	Note 8	-

Note 1: Please identify the highest and lowest market price of each fiscal year based on the average closing price of the year. Source: Taiwan Stock Exchange Corporation.

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 ratio = Average closing price per share for the year/Earnings per share.

Note 6: P/D ratio = Average closing price per share during the current fiscal year/Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note 8: Approved by the Board of Directors on March 12, 2020, and will be decided after the resolution of the regular shareholders meeting.

Note 9: As of the date on which the annual report was printed, the certified financial reports for the first quarter of 2020 has not been published.

#### (VI) The Company's dividend policy and implementation

##### 1. Dividends 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 Incorporation.

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 Incorporation.

##### 2. Distribution of dividend proposed in the current shareholders' meeting:

Regarding the Company's proposal for 2019 earnings distribution, which was approved by the Board of Directors on March 12, 2020 and will be proposed to the shareholders' meeting on June 5, 2020 for recognition of the dividends:

It is proposed to distribute cash dividends of NTD 1,033,400,550 to the shareholders from the distributable earnings, and the distribution will be calculated on the basis of the issued and outstanding shares on March 12, 2020, with the cash dividends of NTD 13 per share. If the number of shares outstanding is affected subsequently by the repurchase of the Company's shares, transfer of treasury stocks, conversion of convertible bonds, exercise of employees' stock options or share transfer, conversion, cancellation, capital increase or other reasons, which causes the dividend rate for the shareholders to change, it is proposed that the Board of Directors shall be authorized by the shareholders meeting with full power to manage as appropriate.

##### 3. Expected significant changes in the dividends 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 bonus 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) Buyback of the Company's shares by the Company

(1) Buyback of the Company's shares by the Company (completed)

Time of buyback	1st time in 2016
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	797,000 common stocks
Amount of shares bought back	NTD 116,562,738
Percentage of repurchased quantity to	53.13%

the scheduled repurchase quantity (%)	
Quantity of canceled and transferred shares	797,000 share
Cumulative number of company shares held	0 share
Ratio of cumulative number of the Company shares held to total outstanding shares (%)	0.00% (The proposal of transfer to the employees was done in batches and completed in 2018)

(2) Buyback of the Company's shares by the Company (in progress)

April 30, 2020

Time of buyback	1st time of 2020
Purpose of buyback	Transfer of shares to employees
Types of shares repurchased	Common stock
Total ceiling number of shares repurchased	NTD 2,553,476,000
Scheduled buyback period	March 13, 2020 ~ May 12, 2020
Quantities of scheduled repurchase	1,000,000 shares
Buyback price range	NTD 150~NTD 262 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	285,000 common stocks
Amount of shares bought back	NTD 46,820,885
Percentage of repurchased quantity to the scheduled repurchase quantity (%)	<b>28.50%</b>

## II Corporate bonds

### (1) Corporate bonds

Corporate bond type	The first unsecured convertible bond in the Republic of China.
Date issued	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 900,000,000
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 YEH LAW OFFICES Lawyer Hung, Tung-Hsiung
Independent CPA	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>II. 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 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.</p> <p>(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</p>



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 according to period specified in the preceding two paragraph.

### III. The right 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 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.
Restrictive terms		None
Name of credit rating organization, rating date, corporate bond rating results		N/A
	Amount of the bonds already converted into (exchanged into or subscribed for) common stocks, overseas depository receipts, or any other securities until the date of publication of the annual report	None
Other rights	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 (1) is suspended in accordance with the law; (2) 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; (3) 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		(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:

issuance terms	Not applicable.
Name of commissioned custodial institution for objects exchanged	N/A

(2) Convertible bonds

Corporate bond type		The first unsecured convertible bond in the Republic of China.
Year/Item		2018
Market price of convertible bonds	Highest	NTD 119.00
	Lowest	NTD 98.00
	Average	NTD 106.43
Convert price		<ol style="list-style-type: none"> <li>1. Since August 10, 2016, due to the distribution of 2015 cash dividends, the conversion price has been adjusted to NTD 271.70.</li> <li>2. Since August 14, 2017, due to the distribution of 2016 cash dividends, the conversion price has been adjusted to NTD 258.10.</li> <li>3. Since August 1, 2018, due to the distribution of 2017 cash dividends, the conversion price has been adjusted to NTD 250.90.</li> </ol>
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"> <li>1. Bonds outstanding as of November 13, 2018 have been fully paid up in cash, therefore, the ways to fulfill the obligation of conversion: Not Applicable.</li> <li>2. No transfer requests had been made as at the transferable date</li> </ol>

**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 new share issuance due to mergers or acquisitions of shares issued by other companies: None.**

**VIII Implementation of capital utilization plan: The Company does not have uncompleted plans for private placement of securities or completed plans within the most recent three years with unrealized benefit.**

## Five. Overview of Operations

### I Operations

#### 1. Scope of business

The company is engaged in researching, developing and manufacturing its own skin care and beauty products, sold under its own CHLITINA brand, as well as researching and developing related beauty services and regimens. Its network of CHLITINA beauty salon franchise salons provides consumers with high-quality, highly efficient and distinctive skin care products and services. In recent years, the company has also invested in e-commerce and medical beauty projects, with the creation of the self-owned and self-operated “XINMEILI Electronic Shopping Mall” and “UPLIDER Medical Beauty and Anti-Aging Clinics”. To date, operations are stable and show good development potential. The company’s business activities also include the RnD Nail&Eyelash salon franchise channel, a strategic investment aimed at developing a younger customer base and diversifying operations.

The company is currently mainly active on the markets of mainland China, Taiwan, Hong Kong, and South East Asia. Since its formal entry on the mainland China market, in 1997, CHLITINA has developed as a mid-to-high end large scale beauty salon franchise. As of the end of December 2019, there were 4,809 CHLITINA beauty salons in mainland China, Taiwan, Hong Kong and South East Asia. The company has developed a large portfolio of high-quality beauty and skin care product lines, including at-home care products and professional care products, providing customers of its franchise beauty salons with a full range of beauty and skin care products and professional treatment options. Thanks to its first-class independent research and production capacities, as well as excellent products and professional skin care concepts, the company enjoys a high-quality customer base and brand value.

A. Major scope of operation:

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

B. Operational weight

Unit: RMB 1,000; NTD 1,000

Major products	2018			2019		
	RMB	NTD	%	RMB	NTD	%
Face care products	910,561	4,149,245	90.63%	1,064,568	4,757,128	92.56
Body products	12,670	57,736	1.26%	14,555	65,040	1.27
Aromatic products	1,330	6,060	0.13%	2,369	10,588	0.21
Processing income	808	3,682	0.08%	292	1,305	0.03
Others	79,396	361,790	7.90%	68,213	304,818	5.93
Total	1,004,765	4,578,513	100.00%	1,149,997	5,138,879	100.00%

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

C. 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.
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 morus bombycis 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 extract series	Designed specifically for problematic skin, the series features optimal improvement and prevention effects whether it is anti-wrinkles, water replenishing, whitening, or soothing. They can be used as part of home care or at the salons for induction or water facial mask purpose with the help of instruments.
Aromatherapy	Essential oils, compound essential oils	<ol style="list-style-type: none"> <li>1. Beautifies and cares for skin to boost skin resistance and delay aging.</li> <li>2. Soothes and eases the mood and energy with nerve relaxing.</li> <li>3. Keeps physical fitness and corrects respiratory infection, compromised immunity, and endocrine disorder, etc.</li> </ol>
Body	Essential oils, lotion	<ol style="list-style-type: none"> <li>1. Clears blood vessels and encourages circulation to boost functionality of organs and intestines.</li> <li>2. Promotes tissue relaxation at a depth, blood circulation of muscular tissues while relaxing the body and the mind, shoulders and the neck, and relieves back pain and inflammation, among other symptoms.</li> </ol>
	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.

#### D. Research and development of new products

##### A. Development of anti-aging series products

To act in line with the market conditions and the Company’s business strategy, pursue products that offer benefits of lifting, pore tightening, anti-wrinkles, skin tone brightening and moisturizing.

##### 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. Development of products to be launched on RnD only

Focus on eyelashes beautifying customers to develop facial care products for the eyes and hand cream.

##### F. Product development for F treatment

Care treatment for female menstrual period, body fitness treatment etc.

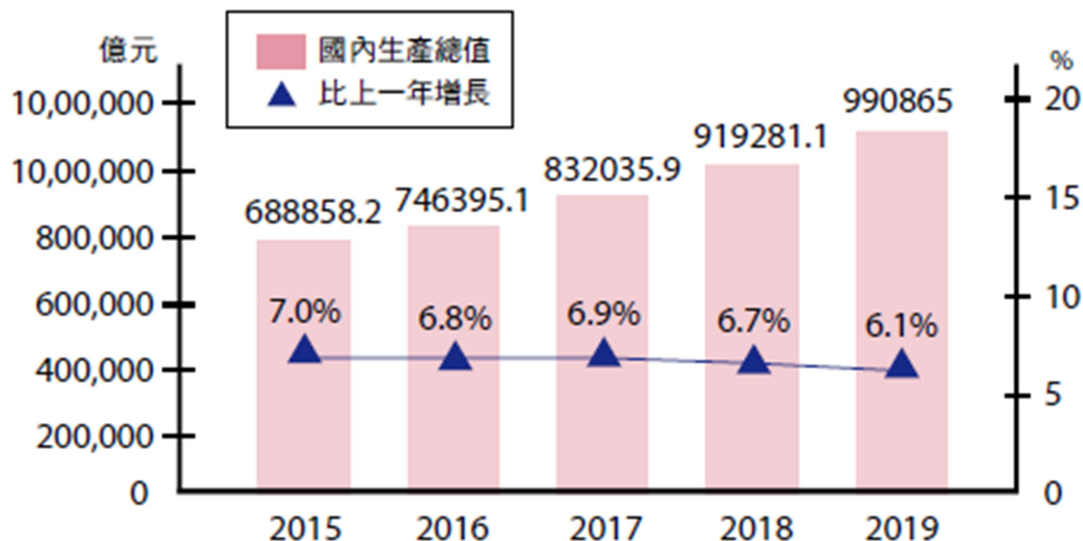
## 2. Industry overview

### (1) Industry status and development

#### a. Macro environment:

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. The major factors that drive the development of the beauty industry in Mainland China includes the growth in its GDP, the increased urbanization rate and per capita disposable income and **the awakening of female consciousness which further expands the size of the consumer market**. 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 3,000 threshold, consumption starts to enter the rapid growth channel and so is beauty-related consumption. When the per-capita GDP exceeds USD 20,000 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 2019 was RMB 99,086.5 billion in Mainland China, a growth of 6.1% from 2018.

2015年~2019年中國生產總值及其增長速度



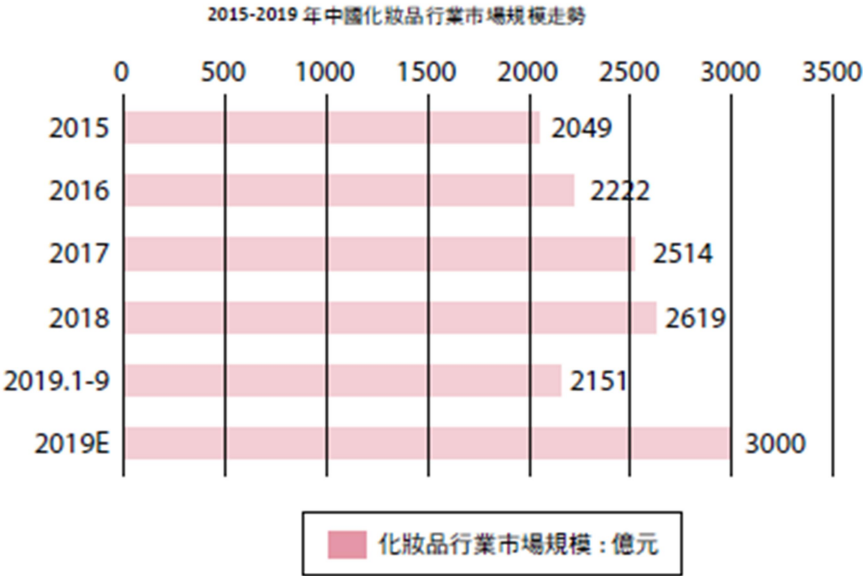
Source: National Bureau of Statistics of China (4/2/2019)

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 2019 was RMB 42,359 in Mainland China, a growth of 7.9% 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.

The report of iiMedia Research indicated that the number of females aged between 20-60 was about 400 million in China and the market capacity is estimated to reach 10 trillion in 2019. The women consumer market in China is enormous, including a comprehensive scope of maternal and child products, female health, beauty and fresh food. Women care more about aspects of health, puzzle and education game, various e-commerce, photo and film beautifying, parent-child service and educational training related to daily cosmetics, woman's period and pregnancy.

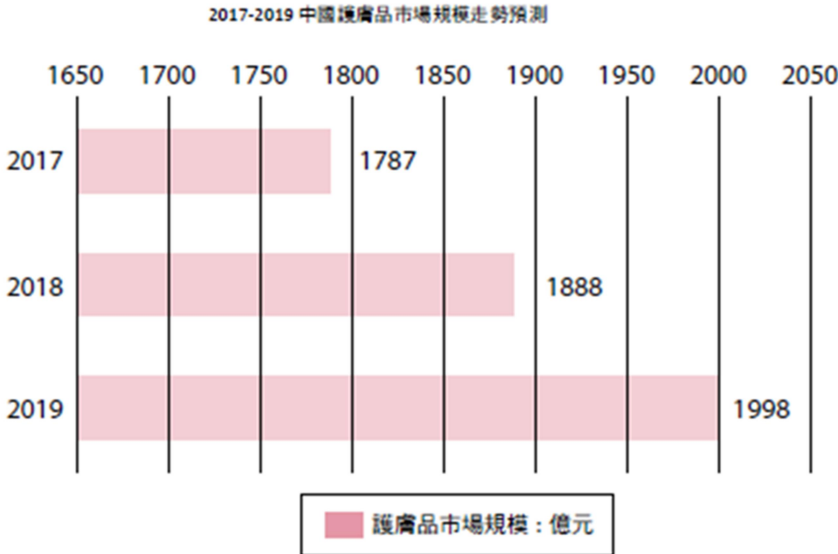
b. Market environment for skin care products:

Recently, the domestic consumption of cosmetics grows quickly with the rapid growth of the economy in China. The “Report on the market prospect planning and investment value consultation for the whitening and skin care industry of China in 2020-2026” published by Intelligence Research Group displayed that China excelled Japan in becoming the second largest country of the cosmetics consumption in 2013. The information also shown that the retail sales of the first three quarters in the domestic cosmetic industry reached RMB 215.1 billion in 2019 with a year-on-year growth of 12.8%. We estimated that the retail sales of the domestic cosmetic industry will reach about RMB 300 billion in 2019.



數據來源：公開資料整理

In the perspective of the overall cosmetic market, skin care products remained the largest category of cosmetics. The information displayed that the market share of the skin care products exceeded more than half of the overall cosmetic market share by accounting for 52% of the overall market share in 2018. The market size of the skin care products reached RMB 188.8 billion in 2018.

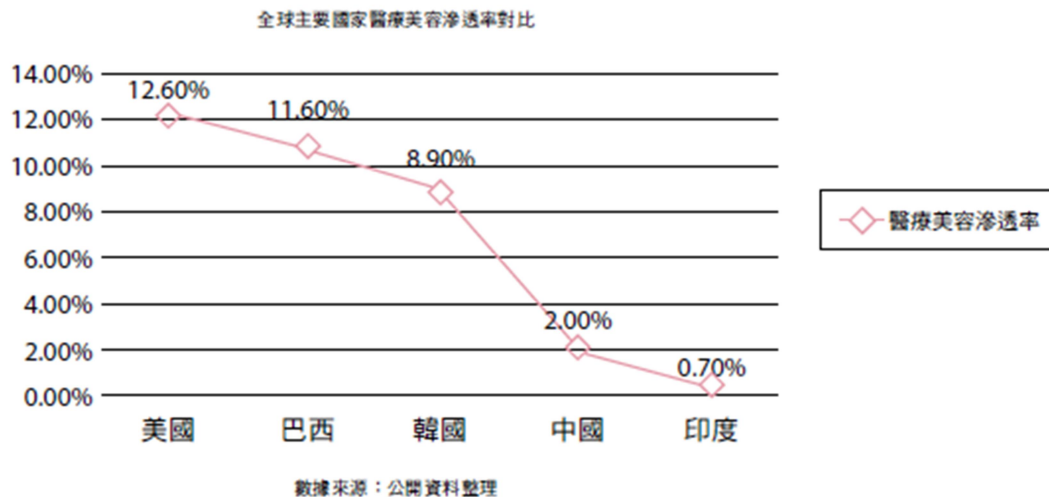


數據來源：公開資料整理

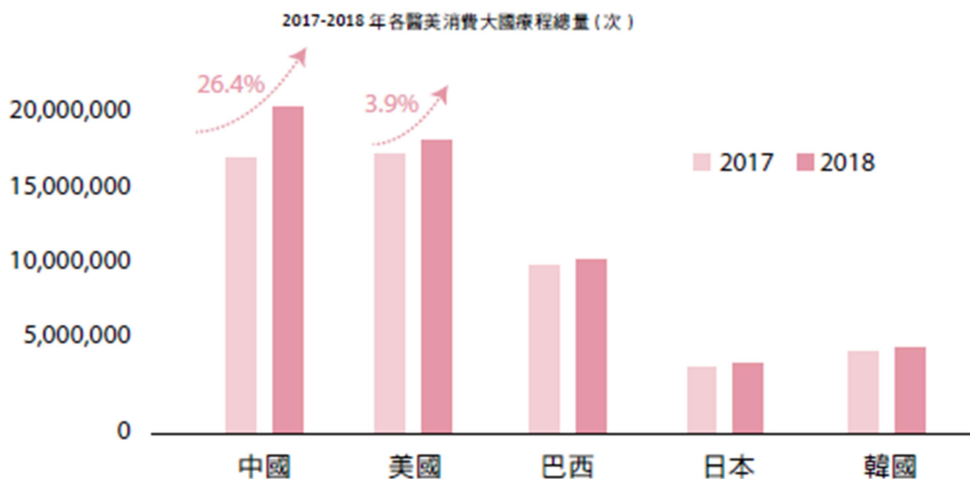


c. Market environment of the aesthetic medicine:

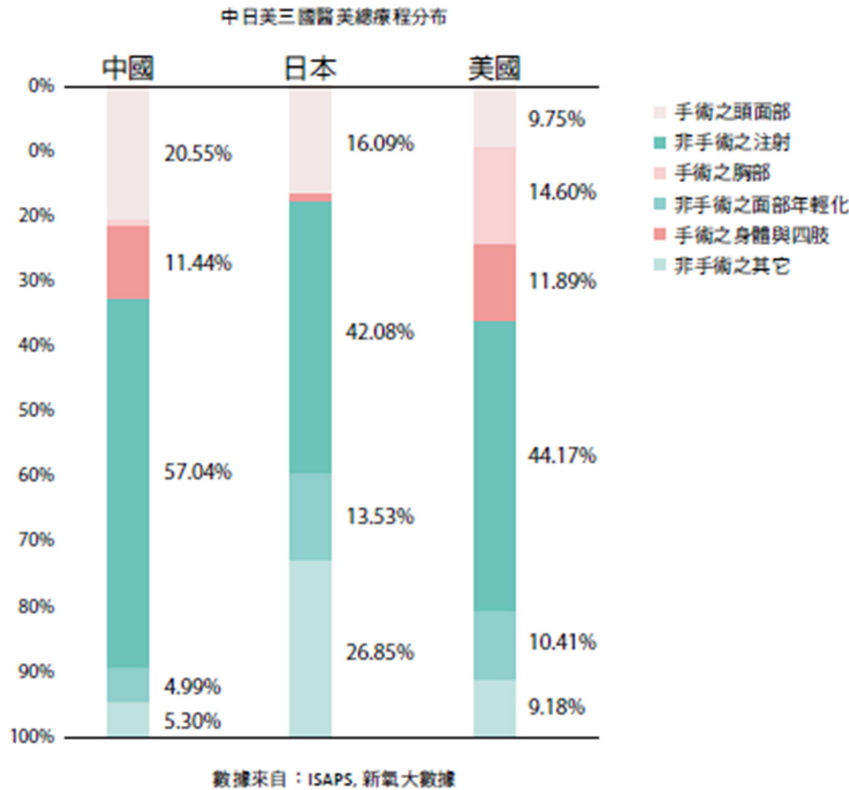
The “Analysis on the market development size and industrial development trend of the China aesthetic medicine industry in 2019” published by Intelligence Research Group displayed a low penetration rate in the domestic aesthetic medicine market. In comparison with the 10% of penetration rate in countries with mature aesthetic medicine market such as USA, Brazil and Korea, the penetration rate of the aesthetic medicine market in China was merely about 2% with 5 times of room for development. The market size of the aesthetic medicine industry in China will further increase in the future.



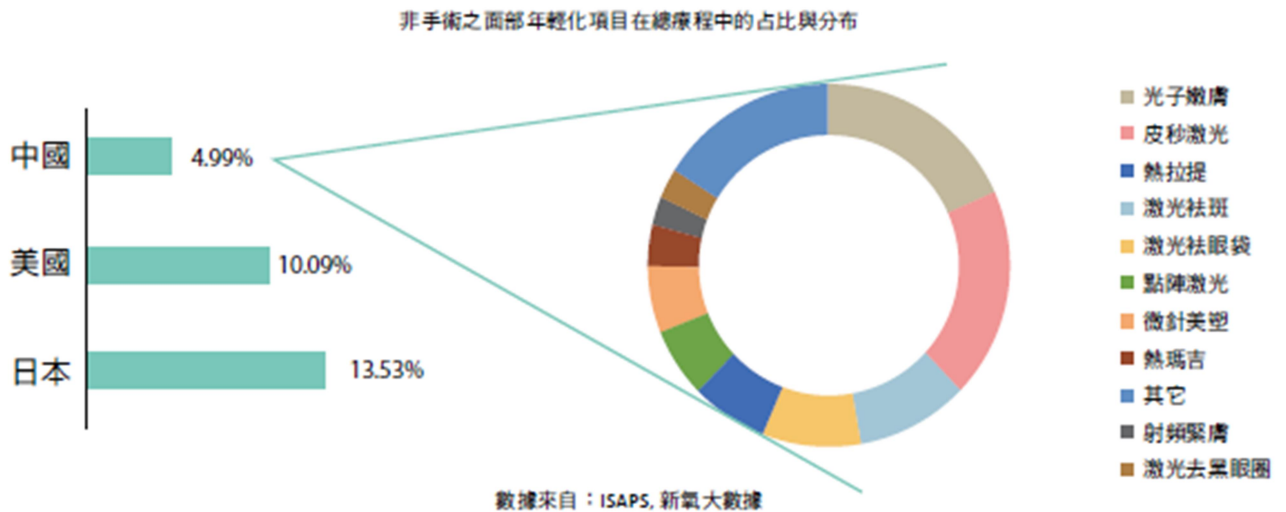
According to the investigation result of Frost & Sullivan, the treatment consumption of the aesthetic medicine in China was RMB 16.29 million second only to RMB 16.34 million of the USA in 2017. Moreover, the annual growth rate of China was 26.4%, exceeding the 3.9% for USA. Thus, the consumption of the aesthetic medicine treatment in China will exceed countries with large aesthetic medicine consumption, including USA, Brazil, Japan and Korea, and rank first in the world in 2019.



Source of information: So-Young APP “White Paper of Aesthetic Medicine Industry in 2019” The cosmetic surgery of the aesthetic medicine market accounted for 32.67%, exceeding the ratio of Japan and almost near the USA’s.

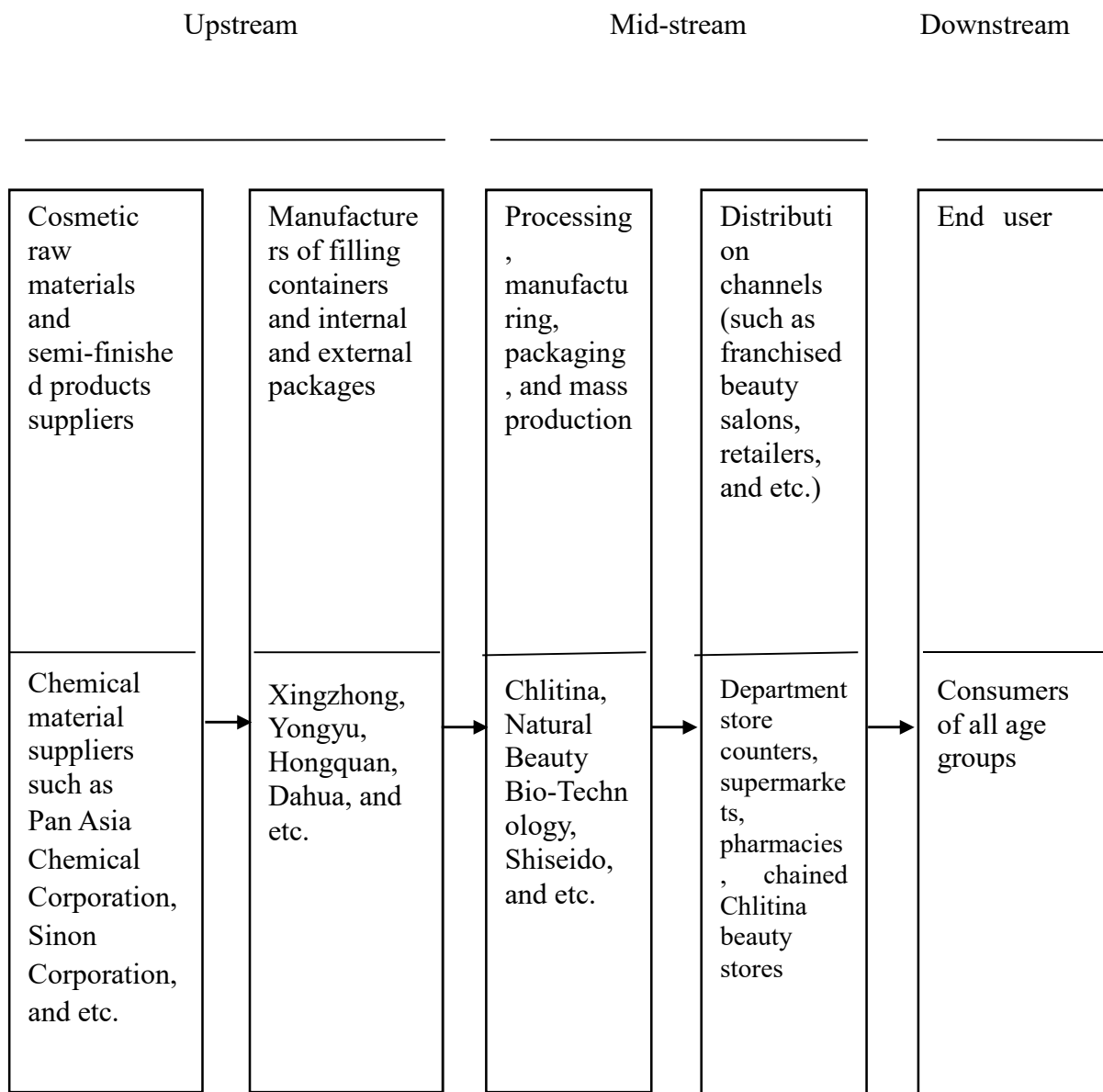


The non-surgical anti-aging project focused on electro-optical products with various kinds and different prices. In comparison with the USA and Japan, the anti-aging items of China have 1-2 times rooms for growth and will gradually expand in the following years.



## (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 first entered Mainland China in 1997, it has been devoted to the research and development of skin care products that suits “Chinese” and “Asian” people best. Given the vast territory of China, in particular the significantly different climates between the north and the south, 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.

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.

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

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

“Agelessness and anti-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 in product research and development.

Based on this belief, in terms of product research and development, the Chlitina 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 for the “customers”. 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 metabolism 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 Chliwhate 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; the Primrose facial cleansing series that applies the patented technology to extract essence of the whole primrose plant while 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, the Extreme Clear White Expert Package and the Instant Rejuvenating Eye Expert Package.

c. Physical Meridian Care

With systemic skin care and physical health as the appeal, the products emphasize the ideas of traditional Chinese medicine 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-allergy 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.

e. High-end Physical Care Products with Luxury Fragrance

By adopting the inspiration of “curing the skin and pleasing the body and mind,” the Company jointly worked with French laboratory to develop the delightful Trotula series for tired women with dry and sagging skin. With the integration of the natural, pure and classic aromatherapy of the West with modern technology, the Company realizes three-D healing for the body, spirit, and mind of women. By the most natural and pure power of the plants with warm and charming fragrance, the nerve is relaxed, the soul is pacified while the skin completes its rebuilding and restoration in a pleasant and comfortable condition and awakes the positive energy of the body, spirit and mind.

f. Facial Care Products for Oily and Acne Skin developed by Authoritative German Medicine Research

To solve the repeating acne problem of the consumer, the Company searches around the world to select and introduce the Skinicer series developed by authoritative German medicine research. *Spirulina platensis*, the main ingredients of the product, has extraordinary antiseptic and repair benefits focusing on the propionibacterium acnes to inhibit the inflammation from the source and repair the acne skin. This series is also applicable to oily skin to prevent acne. The functionality of the series won numerous recognitions from consumers and recommendation from dermatologists.

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 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.

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" effectively 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, Internet, medical beauty, and regenerative medicine in China, consumers' spending habits are subtly evolving. In this context, CHLITINA has been looking for its own business model. Recently, the company has invested in the creation of an electronic shopping mall, XINMEILI, and of medical beauty and anti-aging clinics under the brand UPLIDER. While the XINMEILI e-shop helps us take advantage of the possibilities of

the Internet to diversify operations and increase offline profitability for franchisees, UPLIDER medical clinics allows us to harness the anti-aging potential of medical beauty and regenerative medicine in order to improve existing skin care treatments and product lines, thereby raising consumers' satisfaction. At the same time, both projects enable us to draw on customer resources from existing channels and thus create new sources of profitability for the company.

#### **(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 was the only brand in the industry to win the "Top 20 International Brands in Taiwan" Award for four consecutive years from 2015 to 2019. CHLITINA was awarded the "Top 100 Chain-Style Business of China in 2018" and the "China Outstanding Franchisor 2019" by the China Chain Store Association in 2019.

##### **D. Digitalization of Big Health**

The Company has implemented the digital transformation in recent years using the digitalization as the tool to explore innovative cosmetology services. Meanwhile, in addition to the projects of traditional aesthetic medical services, the Company implemented its R&D results by introducing the regenerative medicine and anti-aging medicine items jointly developed with Tongji University to the direct aesthetic medicine clinics, Up Lider. This sufficiently proved that the Company set foot in the aesthetic medicine while expanding the regenerative medicine and anti-aging medicine items other than daily cosmetics to create a digitalized beauty industrial chain with big health.

##### **E. Brand Internationalization**

Since the Company entered Vietnam in 2018, the main purpose of the Company was "brand promotion" but our product prices and services are between medium and high price according to the local consumption level. However, the Company will expand the market through business operation and shift recourses to the market we expected to develop. Also, the Company began to prepare various investigations and researches to enter other countries of ASEAN to become the most influential leader in the global beauty industry.

### **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.

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. Different products launched through different channels can satisfy the needs of different consumers for personalized skincare and healthy lifestyles to the greatest extent.

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

As of the end of March 2020, the Company has a total of 11 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	
2018	8	3	5	9.88
2019	11	2	9	7.60
March 31, 2020	11	2	9	7.85

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

Unit: NTD 1,000; %

Item	Year	2015	2016	2017	2018	2019
R&D fee		17,729	9,379	10,203	21,936	27,724
Net Sales		4,394,264	3,360,584	3,290,702	4,578,513	5,138,879
R&D cost to net revenue ratio (%)		0.40	0.28	0.31	0.48	0.54

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

Year	Item/product name
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,



	<p>Moisturizing and Repairing Eye Cream, Aqua Nourishing Essential Cream) Sun Passport Sunscreen SPF50+ PA++++ (Made in Taiwan)</p> <p>Salon Series (CHILITINA HA Moisturizing Serum, Witch Hazel Herbal Mud-Mask Repair, CHLITINA Hydra Cleansing Fluid, CHLITINA Marigolds Herbal Mud-Mask Repair, Seaweed Skin Softening Powder, Chlilitina Regenerating Intensive Boosting Treatment, Chlilitina Moisturizing Intensive Boosting Treatment, Chlilitina Sebum Control Intensive Boosting Treatment, Chlilitina Soothing Intensive Boosting Treatment, Chlilitina Whitening Intensive Boosting Treatment, Chlilitina Silky Body Lotion, Chlilitina Shea Butter Facial Massage Cream, Chlilitina Gentle Makeup Remover, Chlilitina Extreme Soothing Body Mask, Chlilitina Chamomile Body Scrub, Chlilitina Magic Body Slimming Gel)</p>
2016	<p>ChliWhite series (cleanser, introductory gel, essence concentrate, essence emulsion, hydrating cream, primer) Tourmaline Series (essence emulsion, eye cream, essence cream, moisturizing mask) Lohas Essential Series (CEDAR Balancing Shampoo, Citrus Relaxing Body Wash, Cananga Odorata Flower Body Lotion) 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)</p>
2017	<p>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</p>
2018	<p>Primrose facial cleansing series Skinicer Repair Lotion for Problem Skin ChliWhite Advanced Lightening Eyes Serum UBEBE CAPPARIS hair&amp;body cleaning mousse, 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 Vital care series (Vital Conditioner, Vital Purifying Shampoo, Vital Moisturizing Shampoo) Bilefei cleansing series (cleansing care laundry detergent; multi-effect dishwashing essence; intimate wear detergent) Missing You naked CC Cream RnD Hands and Feet Repair and Care series (RnD Calendula Light, Moisturizing Fragrant Hand Cream; RnD Avocado Moisturizing Fragrance Hand Cream; RnD Milky Repair Essence for Hand and Foot) City Protection Gel Body Firming Essence</p>
2019	<p>Lacy Secrets Breast Beautifying Package Instant Rejuvenating Eye Expert Package UBEBE CAPPARIS Hair&amp;Body Cleaning Mousse</p>

	<p>           UBEBE CAPPARIS Pure Soothing Barrier Cream            Advanced Instant Rejuvenating Eye Expert Package            Chlitina Mud-Mask            Renew Firming Cream            Super Moisturizing Cream            Moisturizing Repair Package            3DR Vita series            Ocean Pureskin series            RnD Hand Cream            Completed the introduction of bletilla striata stem cell cultivation technology         </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. 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.

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. As far as e-commerce is concerned, the focus will continue to be on the steady growth of both the number of members and the quantity of purchase orders. We will combine the existing distribution channel resources of the Company while developing middle- and high-end products for the expansion of the width and length of the product chain complemented by 24/7 marketing approaches with no geographical limit in order to improve the network deployment and product coverage.

E. In our channels of aesthetic medicine, we have promoted the development of our own aesthetic medicine clinics. Combining aesthetics, medicine and science, we are providing consumers with comprehensive services to help them stay beautiful, healthy and resistant against aging. We also set foot in the high-end cosmetic medicine industry, taking advantage of advanced artificial intelligence and regenerative medicine to bring additional momentum to the Company’s revenue.

## (2) Long-term plans

- A. Enhance the R&D capabilities and continue to develop specialized high-end quality products for specific channels and different consumer populations.
- B. Continue to deepen the content of the brand, maximize brand influence, reinforce consumer loyalty and franchise store adhesion.
- C. Adjust to the macro environment to implement suitable sales and management strategies.
- D. 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.
- E. Extensively expand the overseas market with Southeast Asia as the entry point in order to maximize the operational territory of the Group and to advance brand internationalization.
- F. Leverage innovative AI technology and regenerative medicine to extend our reach into high-end aesthetic medicine products and enable new revenue channels for the Company.

## II Market and Production/Distribution Overview

### 1. Market analysis

#### (1) Revenue by the region

Unit: RMB 1,000; NTD 1,000

Item	2018			2019		
	RMB	NTD	%	RMB	NTD	%
Mainland China	970,505	4,422,397	96.59%	1,118,289	4,997,187	97.24%
Others (Note)	34,260	156,116	3.41%	31,708	141,692	2.76%
Total	1,004,765	4,578,513	100%	1,149,997	5,138,879	100.00%

Note: Others include Taiwan and Hong Kong

#### (2) Market Share

The research data of Intelligence Research Group showed that the sales of cosmetics in Mainland China was expected to reach RMB 300 billion in 2019. When calculated with the revenue of RMB 1.15 billion of the Company in 2019, the market share was about 0.4%. In addition, the sales of skin care supplies (including physical care, facial care, and hand care) in 2019 accounted for 52% of the total cosmetic sales, which was RMB 156 billion. When calculated with the revenue of RMB 1.15 billion of the Company in 2019, the market share was about 0.7%.

Also, according to the research data of Intelligence Research Group, the industrial research institute, the sales were calculated with the final retail price of the products. The revenue of the Company provided above, however, did 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 was used to calculate the Company's sales and the income from services provided to consumers at franchise stores was not included, the internal statistics of the Company showed that the sales in 2019 were around RMB 3.4 billion, accounting for around 1.1% on the market for beauty and personal care supplies in Mainland China, an increase of 0.2% from 2018 and around 2.2% on the market for skin care supplies in Mainland China, an increase of 0.5% from 2018.

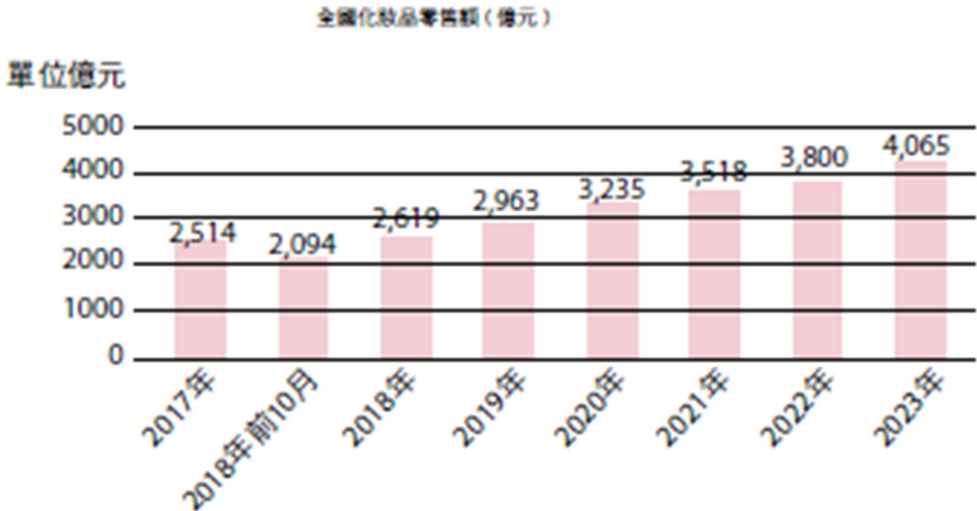
The beauty brand “Chlitina” of the Company features specialized beauty services provided through its franchise system and has quickly expanded on the market. At present, it is already one of the largest beauty franchises in Mainland China and secures a place on the market for beauty and skin care in 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 the beauty and personal care supplies are concerned in China. Most of the large household chemical enterprises with foreign investment have brand history over several decades or even hundreds of years, therefore they have indelible brand influence at home and abroad and control most of the market share in the high-end market. However, the emergence of numerous local brands in the nation, including the HERBORIST of Shanghai Jahwa United Co., Ltd, CHANDO of JALA Corporation along with INOHERB and MG, changed the competitive situation of the current cosmetic market to some extent.

(3) Future supply & demand and growth in the market

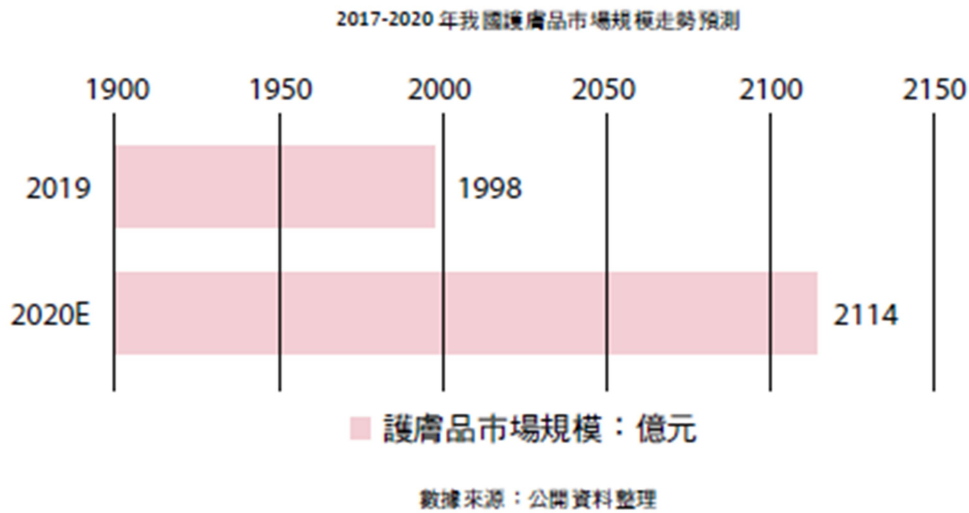
A. Beauty and personal care products market

According to the statistics of the “Analysis Report on the Market Demand Forecast and Investment Strategy Planning of the Cosmetic Industry in China” published by Qianzhan Industry Research Institute, the retail sales of domestic cosmetics will reach RMB 296.3 billion in 2019 and the mean compound annual growth rate is about 8.23% in the next five years (2019-2023). It is forecasted that the retail sales of domestic cosmetics will exceed RMB 400 billion in 2023 and reach around RMB 406.5 billion.

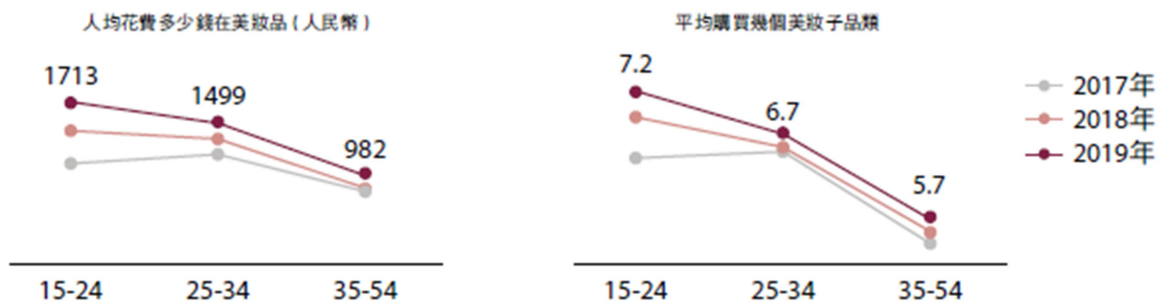


The enormous capacity and room of growth for the future skin care market in China is determined by the consumption upgrade, change in consumption habits, increase of core consumer groups, and the enhancement of the consumption ideas for skin care products due to

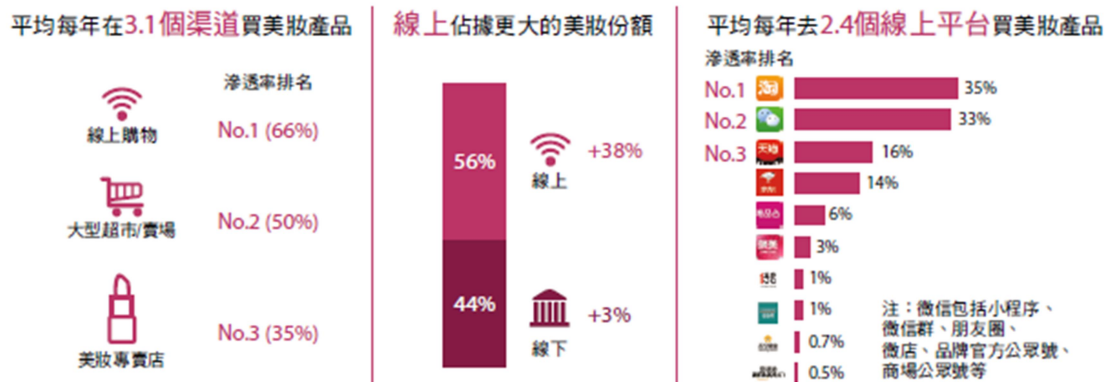
the rapid growth of the economy and the constant increase of the resident's income level. According to the forecast, the domestic market size of the skin care products will exceed RMB 200 billion in 2020.



The “White Paper of the Purchase Habits and Demands of the Cosmetic Consumer in China” mentioned that based on the consumption amount and quantity of purchase categories, females aged between 15~34 are more willing to spend money on cosmetics and purchase more subcategories such as skin care products and make-up.

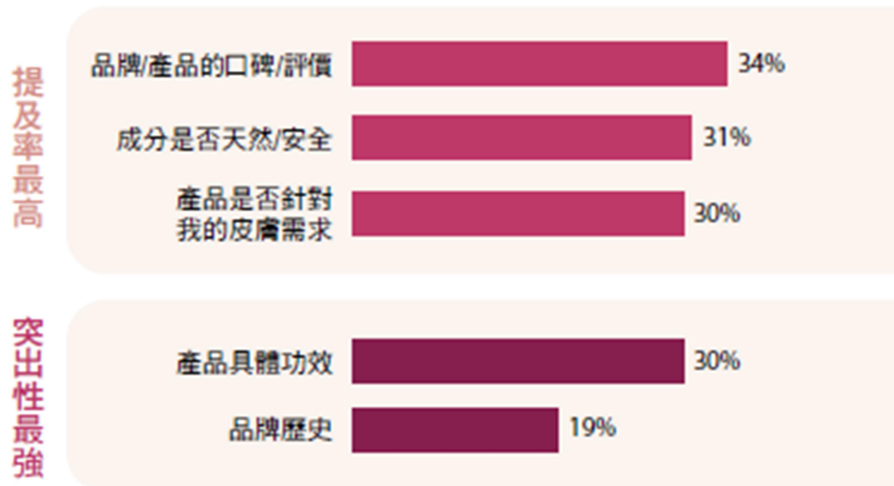


Females aged between 15~34 are consumers of all channels, in which the on-line purchase occupies greater share of wallet. The consumers spread through different platforms to purchase make-up.



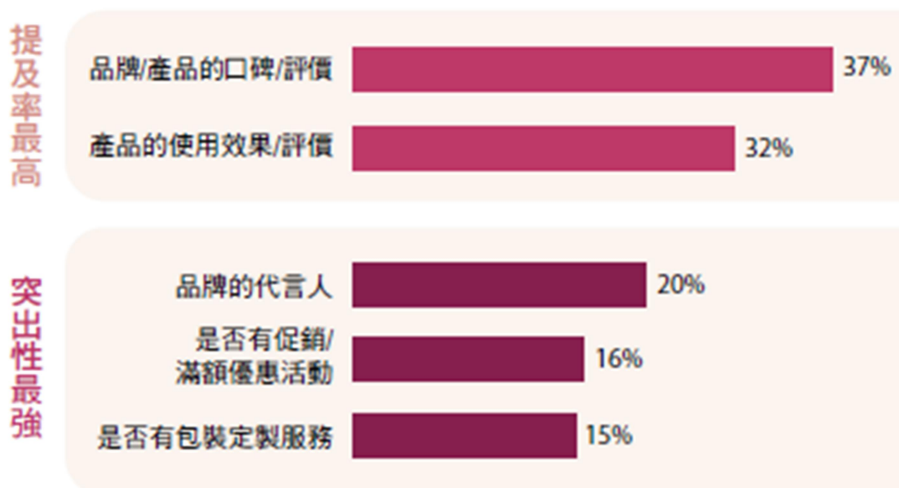
Issues most concerned by consumers during the shopping desire stage are: the public praise/evaluation of the brand/product, whether the ingredients are natural/safe, whether the product suits the need of my skin; the most significant focuses are: the specific efficacy of the product and the brand history;

### 促使消費者種草的護膚產品內容



Issues most concerned by consumers during the desire disappearing stage are: the public praise/evaluation of the brand/product and the specific efficacy of the product; the most significant focuses are: the brand spokesperson and whether the brand has sales promotions/price breaks or customized packaging service.

### 促使消費者拔草的護膚產品內容

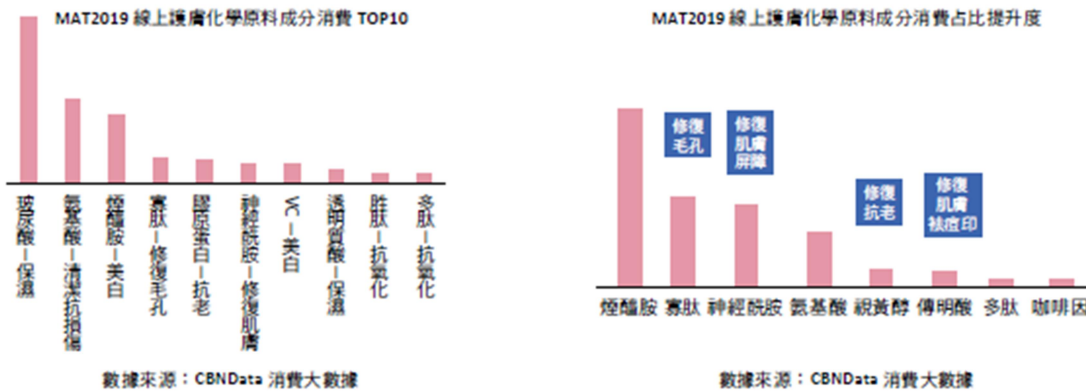


The public praise/evaluation of the brand/product is the most important factor in both shopping desire and desire disappearing stages of the consumer. Therefore, enterprises shall further invest resources in the product ingredients, efficacy and spokesperson to increase the public praise/evaluation of the brand/product.

As the rise of the ingredient-centric group, consumers seek for safe functional skin care brands with high efficacy. With the awakening to the consumer health and safety as well as the understanding of the cosmetic ingredients, the requirement of the cosmetics gradually changed from simple pursue of efficacy to the pursue of safety with high efficacy. The functional skin care products are viewed as functional cosmetics and consumers pay more attention to the ingredients of such product. When the functional skin care brands are carrying out marketing promotions, the main ingredients of the product are used as the selling point, such as the

advertorial and promotions of the new brand HFP often focuses on the product ingredients during the marketing.

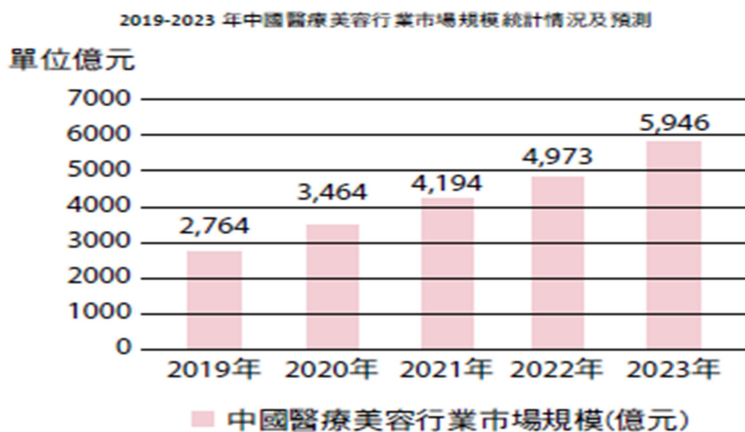
According to the report of the “2019 Insights into the Personal Care Groups of the Online Cosmetics,” the hyaluronic acid, amino acid and niacinamide are the favorites of the “ingredient-centric group.” The group also begin to pay more attention to the chemical ingredients with repair functions.



The rising demand for “fineness” enables the realization of differential competition in the functional skin care market. One of the most significant consumption features regarding the post-80s and 90s generation as the main consumers of the cosmetics market is that they understand how to select rationally and emphasize personalized demands. Serving as the functional cosmetics, the trend of segmenting functional skin care products increases day by day. In 2018, C2CC Media in the Chinese cosmetic field conducted a survey regarding the functional skin care market of the post-80s and 90s consumers, the result shown that the anti-allergic function only ranked No.4 and accounted for 29% in the questionnaire concerning the efficacy demand of the functional skin care products while more detailed functions occupied the absolute weight in the survey, such as the removal of blackheads, pore shrinking, removal of acne and acne scars, and safe anti-wrinkling. In regard to the main factors attracting the customer to purchase the functional skin care products, 83% of consumers consider that functional skin care products with solutions of the problematic skin such as large pore, acne skin and sensitive skin are the main factor of the purchase considerations.

**B. Market of the aesthetic medicine:**

According to the forecast, the market size of the aesthetic medicine industry in China will reach RMB 276.4 billion in 2019. The market size of the aesthetic medicine industry in China approaches RMB 500 billion in 2020 and is forecasted to reach about RMB 600 billion with the amount of RMB 594.6 billion in 2023. The mean compound annual growth rate is around 21.11% in 2019-2023.



The aesthetic medicine may accompany the women during their lifetime and the parts concerned and projects consumed by women at different ages vary depending on the aesthetics of the times. Currently, women over 30 shape their body while adjusting the facial features and they care more about surgical items as their consumer capacity increases over time. Besides, the consumption amount of the women often reaches the peak value of RMB 6,500 during the age of 35. For female group at relatively small ages, they often adjust their facial features via injection, such as facial skinning, double-fold eyelid, and rhinoplasty. As for women over 40, most of them hope to alleviate the aging of the face and their expenses in the aesthetic medicine become stabilized year by year.

2018年中國不同年齡層級醫美需求及年均消費



數據來源：CBNDATA 消費大數據

### 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 4,499 stores in Mainland China as of the end of March 2020 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 domestic brand awareness and influence at the moment, we are sufficiently powerful to develop into county-level cities without being deployed by Chlitina in the future to improve the consciousness of beauty, including Jingbian County in Shaanxi, Fuan City in Fujian, Karamay City in Xinjiang, Hebi City in Henan, Rushan City in Shandong and Xinle City in Hebei. Meanwhile, we 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 take care of the store expansion quality at the same time to seize the potential market with limited brand share. In 2020, the Company will invest certain resources in county-level cities without any brand deployment to strengthen the sustainable development of the local markets. In addition, as of the end of March 2020, the Company owns a market size consisting of 298 and 25 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 2020, 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 2,000 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 including R&D, production, distribution, brand, and channels form the complete integrative advantages in the big health industry.

### (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. Currently, Chlitina owns more than 4000 physical operation sites on the Mainland China market, thanks to its 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 “2019 National Economic and Social Development Statistics Bulletin” published by the National Bureau of Statistics of China, the GDP growth was 6.1% for the Mainland region and the tertiary industries’ GDP accounted for 53.9% of the total national GDP. The service industry continued to grow due to driving factors such as the constant deepening of the supply-side structural reform and the coordinated regional development. Year-on-Year Growth of 6.9% in Value Added by the Third Industry Urbanization remained as the national developmental strategy. Permanent population in urban areas accounted for 60.6% of the overall population and the per-capita disposable income of urban residents increased by 7.9% from the preceding year. The urbanization process and increased per capita disposable income of urban residents indicates the great potential of the consumer product market in China, especially the cosmetics and service industries. The GDP is expected to keep growing steadily and the macro environment 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 6,000 square 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

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.

Response measures:

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.

Response measures:

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

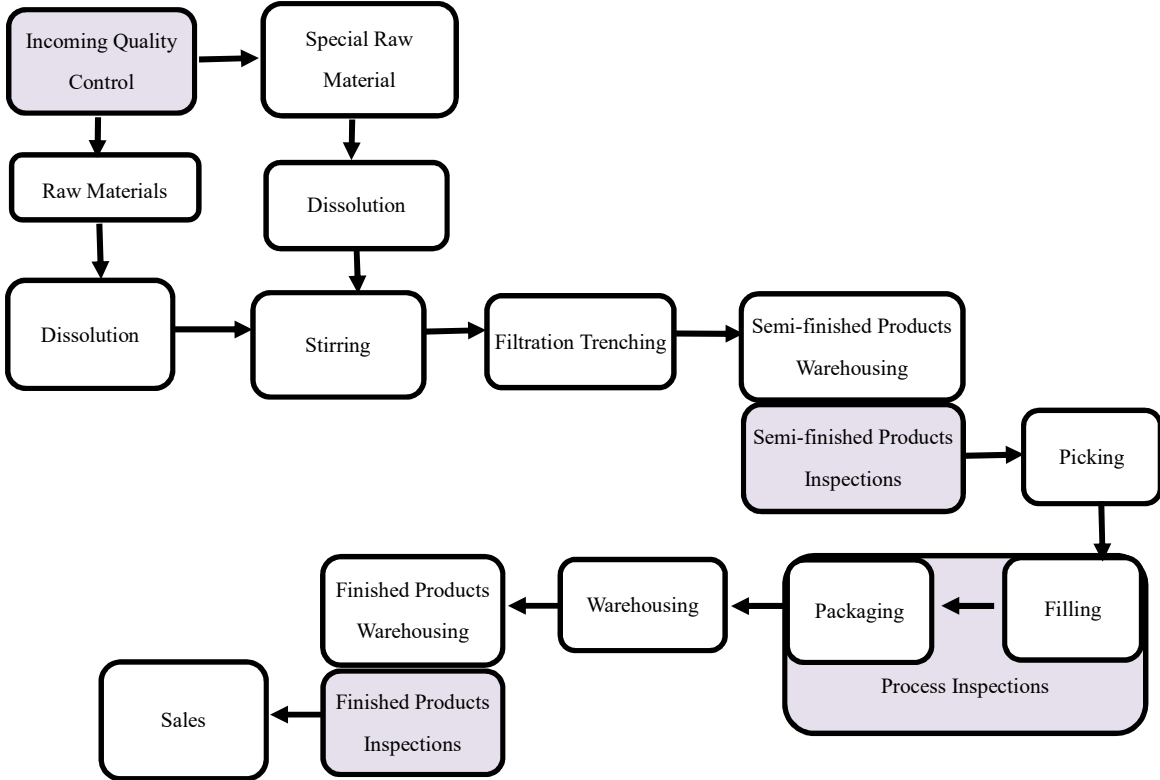
The Company mainly supplies skin care and beauty care products for use by women on their face to care for their skin and to accomplish whitening, softening, wrinkle-removing, and

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.

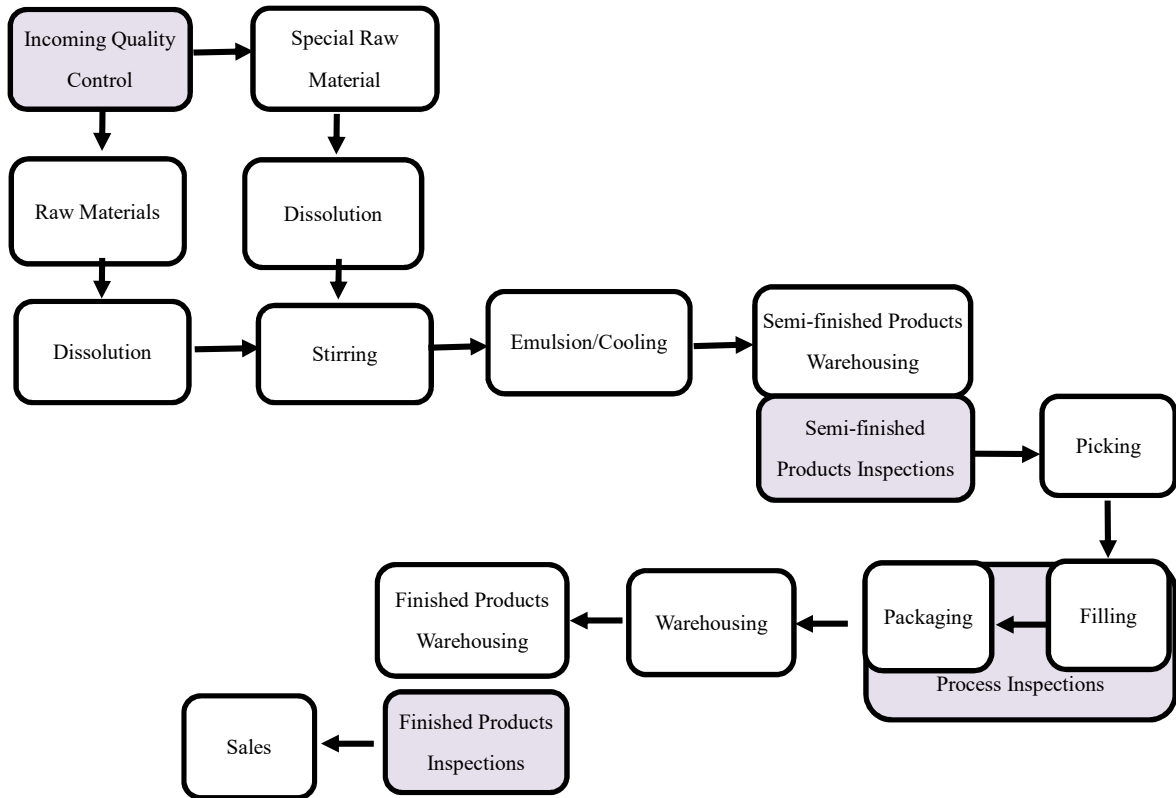
(2) Production process of major products

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:

General liquid unit production work order process:



Creams and lotions unit production work order process:



### 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, the Company maintains the supply from several suppliers and keeps long-term favorable partnerships with respective suppliers to ensure steady sources of supply. The Company also works in collaboration with the suppliers and develops 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: NTD 1,000

Item	Year	2018	2019
Operating revenues		4,578,513	5,138,879
Gross profit		3,778,754	4,320,468
Gross profit ratio		82.53%	84.07%
Rate of change in gross profit ratio		1.85%	1.87%

### 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: NTD 1,000; %

Year	2018				2019				Q1 of 2020			
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	97,326	15.03	Related parties	-	-	-	-	-	Note	-	-
2	Others	550,129	84.97	None	Others	490,121	100	None	-	-	-	-
	Total	647,455	100	-	Total	490,121	100	-	-	-	-	-

Note: As of the issue date, the 2020 Q1 financial statements audited 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 years should be reasonable.

- (2) Names of customers accounting for 10% of total sales or more in any year of the most recent two 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. In recent years, the successful expansion in business operation of the Company's franchised stores contributed to the steady growths in the Company's sales, causing the increase in the number and the decentralization of the Company's sales customers. There are no single sales customer accounting for 10% of the net sales of the Company over the past two years; therefore, there is no risk of sales concentration. Generally speaking, no major abnormalities were found with sales customers over the past two years.

## 6. Production Volume/Value and Variation Analysis Over the Past Two years

Unit: kpcs; NTD 1,000

Year of production Production volume/value Major products	2018			2019		
	Throughput	Production volume	Production value	Throughput	Production volume	Production value
Face skin care products	17,800	7,086	386,306	19,312	7,631	363,242
Body products		69	6,646		49	4,327
Aromatic products		4	506		0	0
Others		65	5,713		98	8,901
Total	17,800	7,244	399,171	19,312	7,778	376,470

## 7. Sales Volume/Value and Variation Analysis Over the Past Two years

Unit: kpcs; NTD 1,000

Year Sales volume/value Item	2018				2019			
	Importation		Exportation		Importation		Exportation	
	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Face care products	207	124,824	3,800	4,024,423	144	125,581	4303	4,631,547
Body products	4	924	40	56,812	9	2,265	67	62,775
Aromatic products	3	2,724	5	3,336	2	1,441	4	9,147
Others	49	14,370	1,198	351,100	49	10,787	1,642	295,336
Total	263	142,842	5,043	4,435,671	204	140,074	6016	4,998,805



### III Number of practitioners over the past two years

Item		2018	2019	2020 up to the end of March
Number of employees	Manager	61	103	105
	Ordinary staff	526	634	603
	Production line employees	45	46	45
	Total	632	783	753
Average age		34.94	35.61	35.93
Average years of service		4.42	4.2	4.31
Education distribution ratio %	Doctorate	0.16%	0.38%	0.13%
	Master degree	3.48%	2.94%	3.32%
	University/college	76.74%	77.65%	77.03%
	Senior high school and below	19.62%	19.03%	19.52%
	Total	100.00%	100.00%	100.00%

### IV 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 ISO 9001 Quality and 14001 Environmental Management System are enforced and Good Manufacturing Practice (GMP) 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 years up to the date on which 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 years up to the date on which the annual report was printed and disclose its future countermeasures (including improvement measures) and possible expenses (including the estimated values of possible loss, 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 years: None.

## **V 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

According to relevant laws, regulations and policies, the Company provides the social insurance (the labor and health insurances) in compliance with the local government's requirements with related benefits including the employee group insurance, various gifts and benefits and healthy group activities.

Employee benefit measures :

- a. Insurance: Group business insurance for employees and dependents.
- b. Remuneration: Performance bonus, team bonus, gifts (cash) for festivals and year-end bonus.
- c. Benefits: Employee gifts, weddings, funeral and maternity gifts, discount for product purchasing and a pregnancy-friendly environment.
- d. Health and leisure activities: health examinations for employees, department dinner and year-end parties.

(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. The number of participants in the internal and external training (including legal compliance with the ethical management, products and accounting systems etc.) organized by the Company in 2019 was 240 persons with a total of 1920 hours.

(3) Retirement system and implementation status

Since July 1, 2005, Taiwan Branch of the Group has established the defined retirement contribution system applicable to employees with native nationality according to the "Labor Pension Act." Taiwan Branch of the Group contributes the pension no less than 6% of the salary to the exclusive personal account at the Bureau of Labor Insurance based on the labor pension system of the "Labor Pension Act" selected by the employee. The payment of employee pension is paid on a monthly basis or in a lump sum based on the amount from an employee's individual labor pension account and the accrued dividends.

The subsidiary in Mainland China contributes the pension based on certain ratio of the employee's total monthly salary according to the old-age pension system regulated by the government of the People's Republic of China. The pension of the employees are managed and

organized by the government and the Group has no further obligation other than the allocation each month. The details related to the defined contribution pension plan are as follows:

<u>管理當局</u>	<u>受益人</u>	<u>退休金提撥率</u>
中國大陸各省市市政府	全部大陸子公司之雇員	16%-20%

The subsidiary, Hong Kong Chlitina, implemented the mandatory pension plan for employees hired according to the Employment Ordinance in compliance to the regulations of the Mandatory Provident Fund Schemes Ordinance, Hong Kong. The plan is a pension plan with fixed contribution managed by the independent trustee. In addition, according to the regulations of the plan, the employer and the employee shall contribute 5% of the employee's relevant income separately. Since June 2014, the ceiling of relevant income each month increased from HK\$ 25,000 to HK\$30,000 concerning the contribution to relevant regulated account.

The pension costs recognized by Group based on the previous pension method in 2019 and 2018 were RMB 14,148,000 (NTD 63,223,000) and RMB 11,732,000 (NTD 53,461,000) respectively.

(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.

## VI Important Contracts

### (I) 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

### (II) W-Amber (Shanghai) Trade Limited

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Lease contract	Company A	March 10, 2019 -December 31, 2028	Housing leasing	Confidentiality clauses

**(III) Shanghai Yuanshuo Management Consulting Limited**

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Lease contract	Yang O da	January 1, 2019 - April 30, 2028	Housing leasing	None
Lease contract	Company B	May 16, 2019 - December 31, 2028	Housing leasing	Confidentiality clauses

**(IV) Hong Kong Chlitina International Limited**

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Collaborative agreement	Company C	Contract date January 14, 2020	Equity investment and exclusive agency	Confidentiality clauses

**Six. Financial status**

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

(1) Summary of Balance Sheet

Unit: NTD 1,000

Year	Financial information for the most recent five years						
	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	March 31, 2020 (Note 1)	
Item							
Current Assets	4,735,959	4,260,197	4,194,313	4,768,842	5,944,434		
Real estate, plant and equipment	1,066,537	975,309	1,057,140	1,363,566	1,367,720		
Intangible assets	39,385	39,037	58,861	76,028	99,394		
Other assets	132,972	335,407	81,490	179,905	742,415		
Total assets	5,974,853	5,609,950	5,391,804	6,388,341	8,153,963		
Current Liabilities	Before distribution	1,167,968	2,029,827	1,899,222	2,245,959	3,110,733	
	After distribution	1,962,892	2,541,347	2,535,160	3,199,867	Note 2	
Non-current liabilities	860,156	20,301	10,779	28,831	661,429		

Total liabilities	Before distribution	2,028,124	2,050,128	1,910,001	2,274,790	3,772,162	
	After distribution	2,823,048	2,561,648	2,545,939	3,228,698	Note 2	
Total equity attributable to the owner of parent company		3,946,729	3,559,822	3,481,803	4,113,551	4,381,801	
Capital stock		794,924	794,924	794,924	794,924	794,924	
Additional paid-in capital		1,456,484	1,456,484	1,456,484	1,351,932	1,351,932	
Retained earnings	Before distribution	1,598,085	1,533,427	1,605,021	2,306,734	2,784,904	
	After distribution	803,161	1,021,907	1,088,321	1,352,826	Note 2	
Other equities		97,236	(181,806)	(258,063)	(340,039)	(549,959)	
Treasury stock		-	(43,207)	(116,563)	-	-	
Uncontrolled equity		-	-	-	-	-	
Equity	Before distribution	3,946,729	3,559,822	3,481,803	4,113,551	4,381,801	
Total amount	After distribution	3,151,805	3,048,302	2,845,865	3,159,643	Note 2	

Note 1: The Company was founded on July 3, 2012. The information in the 2015-2019 summary of balance sheet is on the basis of the financial statements audited and issued by the accountants. As of the issue date, the 2020 Q1 financial statements audited by the accountants have not been released.

Note 2: The 2019 profit distribution is subject to the resolution of the regular shareholders meetings.

## (2) Summary of Consolidated Income Statements

Unit: NTD 1,000

Item	Year	Financial information for the most recent five years					
		2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	March 31, 2020 (Note 1)
Operating revenues		4,394,264	3,360,584	3,290,702	4,578,513	5,138,879	-
Gross profit		3,338,536	2,698,304	2,666,626	3,778,754	4,320,468	-
Operating profit and loss		1,371,183	1,003,647	803,311	1,562,668	1,789,074	-
Non-operating revenues and expenses		70,466	21,419	17,899	105,877	193,178	-

Pretax income	1,441,649	1,025,066	821,210	1,668,545	1,982,252	-
Continuing departments net income – current period	1,167,087	730,790	582,962	1,218,880	1,432,163	-
Discontinued operation loss	-	-	-	-	-	-
Current net profit (loss)	1,167,087	730,790	582,962	1,218,880	1,432,163	-
Current other consolidated profit/loss (net after tax)	(30,516)	(279,566)	(76,105)	(82,443)	(210,005)	-
Total consolidated income – current period	1,136,571	451,224	506,857	1,136,437	1,222,158	-
Net profit attributable to the owner of parent	1,167,087	730,790	582,962	1,218,880	1,432,163	-
Net profit attributable to uncontrolled equity	-	-	-	-	-	-
Net profit from total consolidated profit/loss attributable to the owner of parent	1,136,571	451,224	506,857	1,136,437	1,222,158	-
Total consolidated income attributable to uncontrolled equity	-	-	-	-	-	-
Earnings per share (NTD)	14.68	9.19	7.41	15.40	18.02	-

Note 1: The Company was founded on July 3, 2012. The information in the 2015-2019 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 2020 Q1 financial statements audited by the accountants have not been released.

## (3) Independent CPAs over the past five years and their audit opinions

Year	Independent CPA	Name of enterprise	Inspection Feedback
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
2019	Lin, Jun-Yao, Zhang, Shu-Qiong	Pricewaterhouse Coopers Certified Public Accountants	Unqualified opinions

## II Financial analysis for the most recent five years

		Financial analysis for the most recent five years					
		2015	2016	2017	2018	2019	March 31, 2020 (Note 1)
Financial structure (%)	Ratio of liabilities to assets	33.94	36.54	35.42	35.61	46.26%	-
	Long-term capital accounted for real estate, plant and equipment ratio	450.70	367.08	330.38	303.79	368.73	-
Debt-paying ability	Current ratio (%)	405.48	209.83	220.84	212.33	191.09	-
	Quick ratio (%)	360.72	182.39	192.24	186.90	175.95	-
	Times interest earned	1,015.53	60.44	48.53	58.20	35.07	-
Operational ability	Accounts receivable turnover rate (times)	12.67	9.92	498.06	1328.84	1776.62	-
	Average cash collection days	29	37	1	0	0	-
	Inventory turnover rate (times)	3.01	1.41	1.26	1.72	1.90	-
	Accounts payable turnover rate (times)	10.01	4.97	7.42	11.15	9.96	-
	Average days on goods sold	121	258	289	212	192	-
	Real estate, plant and equipment turnover rate (times)	3.96	3.29	3.23	3.78	3.76	-
	Total assets turnover rate (times)	0.84	0.58	0.59	0.78	0.71	-
Profitability	Return on assets (%)	22.52	12.83	10.82	21.07	20.27	-
	Return on equity (%)	32.07	19.47	16.55	32.10	33.72	-
	Net income before tax accounted for paid-in capital ratio (%)	181.35	128.95	103.30	209.90	249.36	-
	Profit margin (%)	26.55	21.75	17.71	26.62	27.87	-

	Earnings per share (NTD)	14.68	9.19	7.41	15.40	18.02	-
Cash flow	Cash flow ratio (%)	47.07	72.62	37.84	58.62	58.94	-
	Cash flow adequacy (%)	-	-	-	-	-	-
	Cash reinvestment ratio (%)	-0.13	17.17	5.26	11.21	15.63	-
Leverage	Operating leverage	1.18	1.21	1.31	1.06	1.14	-
	Financial leverage	1.00	1.02	1.02	1.02	1.03	-
		<p>Please explain the reasons for changes in each financial ratio during the most recent two years. (Analysis is not required if the magnitude of increase or decrease is less than 20%).</p> <p>1、 Financial structure  Increase in liability to asset ratio: Mainly due to the addition of the user right-associated assets and lease liabilities in compliance with the IFRS16, causing the increase in the total liability ratio.  Increase in long-term capital accounted for real estate, plant and equipment ratio: Mainly due to the increase in the lease liabilities in compliance with the IFRS16, causing the increase in the long-term capital.</p> <p>2、 Debt-paying ability  The decrease in multiple of interest protection: Mainly due to the increase in interest expenses in the current period.</p> <p>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.</p> <p>4、 Profitability  Increase/decrease is less than 20%.</p> <p>5、 Cash flow  Increase/decrease is less than 20%.</p> <p>6、 Leverage  Increase/decrease is less than 20%.</p>					

Note 1: As of the issue date, the 2020 Q1 financial statements checked 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 five 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 accounts 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 =  $365 / \text{Inventory turnover rate}$ .
  - (6) Real estate, plant and equipment turnover rate =  $\text{Net income of goods sold} / \text{Average net income of real estate, plant and equipment}$ .
  - (7) Total assets turnover rate =  $\text{Net income of goods sold} / \text{Average total assets}$ .
4. Profitability
- (1) Return on assets =  $[\text{After-tax income (loss)} + \text{Interest expense} \times (1 - \text{Tax rate})] / \text{Average total assets}$ .
  - (2) Return on equity =  $\text{After-tax income (loss)} / \text{Average total equity}$ .
  - (3) Net profit margin =  $\text{After-tax income (loss)} / \text{Net income of goods sold}$ .
  - (4) EPS =  $(\text{After-tax income (loss)} \text{ attributable to the owner of the parent company} - \text{Preferred stock dividends}) / \text{Weighted average number of outstanding shares}$ .
5. Cash flow
- (1) Cash flow rate =  $\text{Net cash flow from operating activities} / \text{Current liabilities}$ .
  - (2) Cash flow adequacy ratio =  $\text{Net cash flow from operating activities during the most recent five years} / (\text{Capital spending} + \text{Inventory increase amount} + \text{Cash dividends}) \text{ during the most recent five years}$ .
  - (3) Cash reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross amount of real estate, plant, and equipment} + \text{Long-term investment} + \text{Other non-current liabilities} + \text{Operating fund})$ .
6. Leverage:
- (1) Operating leverage =  $(\text{Net income of operating} - \text{Change of operating costs and expense}) / \text{Operating benefits}$ .
  - (2) Financial leverage =  $\text{Operating benefits} / (\text{Operating benefits} - \text{Interest expense})$ .

### 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 2019 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.

2020 General Shareholders' Meeting of Chlitina Holding Limited

Chlitina Holding Limited

Audit Committee

Convened by: Tsai, Yu-Ching



Handwritten signature of Tsai, Yu-Ching in black ink, consisting of three characters: 蔡玉清.

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March 12, 2020

# Chlitina Holding Limited

## Audit Report from the Audit Committee

The Board of Directors has submitted the Company's 2019 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.

2020 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, 2020

# Chlitina Holding Limited

## Audit Report from the Audit Committee

The Board of Directors has submitted the Company's 2019 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.

2020 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 345678', written over a horizontal line.

March 12, 2020

## **IV Financial statements for the recent year**

**CHLITINA HOLDING LIMITED AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 are outlined as follows:

## **Accuracy of sales discounts and allowances calculation and recognition**

### Description

Refer to Note 4(28) 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.

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Lin, Chun-Yao

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Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2020

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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)

Assets		Notes	December 31, 2019			December 31, 2018		
			CNY	TWD	%	CNY	TWD	%
<b>Current Assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 1,267,476	\$ 5,456,484	67	\$ 882,380	\$ 3,946,003	62
1136	Financial assets at amortised cost - current	6(1)(2)	1	4	-	51,501	230,312	4
1150	Notes receivable, net		3	13	-	-	-	-
1170	Accounts receivable, net	6(3)	58	250	-	591	2,643	-
1180	Accounts receivable - related parties, net	6(3)and 7	163	704	-	486	2,175	-
1200	Other receivables		3,333	14,349	-	3,414	15,267	-
1210	Other receivables - related parties	7	198	849	-	200	894	-
130X	Inventories	6(4)	88,870	382,585	5	107,581	481,102	8
1410	Prepayments	7	20,596	88,666	1	20,153	90,124	2
1476	Other current financial assets	6(1)and 8	-	-	-	-	-	-
1470	Other current assets		123	530	-	72	322	-
11XX	<b>Total current assets</b>		<u>1,380,821</u>	<u>5,944,434</u>	<u>73</u>	<u>1,066,378</u>	<u>4,768,842</u>	<u>76</u>
<b>Non-current assets</b>								
1550	Investment accounted for using equity method	6(5)	4,543	19,558	1	5,119	22,892	-
1600	Property, plant and equipment, net	6(6)and7	317,705	1,367,720	17	304,912	1,363,566	21
1755	Right-of-use assets	6(7)and7	114,688	493,732	6	-	-	-
1760	Investment property, net		18,725	80,611	1	13,408	59,961	1
1780	Intangible assets, net	6(8)	23,088	99,394	1	17,001	76,028	1
1840	Deferred income tax assets	6(23)	6,987	30,079	-	6,978	31,206	-
1900	Other non-current assets		27,511	118,435	1	14,724	65,846	1
15XX	<b>Total non-current assets</b>		<u>513,247</u>	<u>2,209,529</u>	<u>27</u>	<u>362,142</u>	<u>1,619,499</u>	<u>24</u>
1XXX	<b>Total assets</b>		<u>\$ 1,894,068</u>	<u>\$ 8,153,963</u>	<u>100</u>	<u>\$ 1,428,520</u>	<u>\$ 6,388,341</u>	<u>100</u>

- Continued -

**CHLITINA HOLDING LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of dollars)

Liabilities and Equity		Notes	December 31, 2019			December 31, 2018		
			CNY	TWD	%	CNY	TWD	%
<b>Current liabilities</b>								
2100	Short-term loans	6(9)	\$ 388,162	\$ 1,671,037	20	\$ 231,386	\$ 1,034,758	16
2130	Current contract liabilities	6(18)	56,007	241,110	3	46,791	209,249	3
2170	Accounts payable		15,307	65,897	1	13,222	59,129	1
2180	Accounts payable - related parties	7	5,864	25,244	-	3,159	14,129	-
2219	Other payables	6(11)	125,202	538,995	7	125,090	559,402	10
2220	Other payables - related parties	7	2,796	12,036	-	1,979	8,850	-
2230	Current income tax liabilities		30,674	132,052	2	16,877	75,474	1
2280	Lease liabilities - current	7	28,228	121,522	1	-	-	-
2310	Advance receipts		-	-	-	-	-	-
2321	Long-term liabilities - current portion	6(12)	-	-	-	-	-	-
2645	Guarantee deposits		70,346	302,840	4	63,723	284,968	4
21XX	<b>Total current liabilities</b>		<u>722,586</u>	<u>3,110,733</u>	<u>38</u>	<u>502,227</u>	<u>2,245,959</u>	<u>35</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(12)	62,676	269,820	3	-	-	-
2570	Deferred income tax liabilities	6(23)	6,415	27,617	-	5,386	24,086	1
2580	Non-current lease liabilities	7	83,502	359,476	5	-	-	-
2640	Net defined benefit liabilities	6(13)	1,049	4,516	-	1,061	4,745	-
25XX	<b>Total non-current liabilities</b>		<u>153,642</u>	<u>661,429</u>	<u>8</u>	<u>6,447</u>	<u>28,831</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>876,228</u>	<u>3,772,162</u>	<u>46</u>	<u>508,674</u>	<u>2,274,790</u>	<u>36</u>
<b>Equity attributable to shareholders of the parent</b>								
<b>Share capital</b>								
3110	Common stock	6(15)	161,772	794,924	10	161,772	794,924	12
<b>Capital surplus</b>								
3200	Capital surplus	6(16)	271,792	1,351,932	17	271,792	1,351,932	21
<b>Retained earnings</b>								
3310	Legal reserve	6(17)	116,727	548,377	7	89,826	426,489	7
3320	Special reserve		73,482	340,039	4	55,390	258,063	4
3350	Unappropriated retained earnings		389,684	1,896,488	23	324,731	1,622,182	25
<b>Other equity</b>								
3410	Financial statements translation differences of foreign operations		4,383	( 549,959)	( 7)	16,335	( 340,039)	( 5)
3XXX	<b>Total equity</b>		<u>1,017,840</u>	<u>4,381,801</u>	<u>54</u>	<u>919,846</u>	<u>4,113,551</u>	<u>64</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>		9						
<b>Significant events after the balance sheet date</b>		11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,894,068</u>	<u>\$ 8,153,963</u>	<u>100</u>	<u>\$ 1,428,520</u>	<u>\$ 6,388,341</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	For the year ended December 31, 2019			For the year ended December 31, 2018		
		CNY	TWD	%	CNY	TWD	%
4000 <b>Operating revenue</b>	6(18)and 7	\$ 1,149,997	\$ 5,138,879	100	\$ 1,004,765	\$ 4,578,513	100
5000 <b>Operating costs</b>	6(4)(22)and 7	( 183,147)	( 818,411)	( 16)	( 175,509)	( 799,759)	( 17)
5900 <b>Gross profit</b>		<u>966,850</u>	<u>4,320,468</u>	<u>84</u>	<u>829,256</u>	<u>3,778,754</u>	<u>83</u>
<b>Operating expenses</b>	6(22)and 7						
6100 Selling expenses		( 400,409)	( 1,789,267)	( 35)	( 344,315)	( 1,568,975)	( 34)
6200 Administrative expenses		( 166,076)	( 742,127)	( 14)	( 142,010)	( 647,111)	( 14)
6000 <b>Total operating expenses</b>		<u>( 566,485)</u>	<u>( 2,531,394)</u>	<u>( 49)</u>	<u>( 486,325)</u>	<u>( 2,216,086)</u>	<u>( 48)</u>
6900 <b>Operating profit</b>		<u>400,365</u>	<u>1,789,074</u>	<u>35</u>	<u>342,931</u>	<u>1,562,668</u>	<u>35</u>
<b>Non-operating income and expenses</b>							
7010 Other income	6(2)(19)	40,192	179,602	3	31,753	144,692	3
7020 Other gains and losses	6(20)	16,636	74,340	1	( 1,230)	( 5,605)	-
7050 Finance costs	6(21)and 7	( 13,022)	( 58,190)	( 1)	( 6,401)	( 29,168)	( 1)
7060 Share of profit or loss of associates and joint ventures accounted for under equity method	6(5)	( 576)	( 2,574)	-	( 887)	( 4,042)	-
7000 <b>Total non-operating income and expenses</b>		<u>43,230</u>	<u>193,178</u>	<u>3</u>	<u>23,235</u>	<u>105,877</u>	<u>2</u>
7900 <b>Profit before tax</b>		<u>443,595</u>	<u>1,982,252</u>	<u>38</u>	<u>366,166</u>	<u>1,668,545</u>	<u>37</u>
7950 Income tax expense	6(23)	( 123,101)	( 550,089)	( 11)	( 98,680)	( 449,665)	( 10)
8200 <b>Profit for the year</b>		<u>\$ 320,494</u>	<u>\$ 1,432,163</u>	<u>27</u>	<u>\$ 267,486</u>	<u>\$ 1,218,880</u>	<u>27</u>
<b>Other comprehensive income (loss)</b>							
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>							
8311 Losses on remeasurements of defined benefit plans	6(13)	(\$ 19)	(\$ 85)	-	(\$ 103)	(\$ 467)	-
8310 <b>Total other comprehensive loss that will not be reclassified to profit or loss</b>		<u>( 19)</u>	<u>( 85)</u>	<u>-</u>	<u>( 103)</u>	<u>( 467)</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>							
8361 Financial statement translation differences of foreign operations		( 11,952)	( 209,920)	( 4)	( 3,384)	( 81,976)	( 2)
8360 <b>Total other comprehensive loss that will be reclassified to profit or loss</b>		<u>( 11,952)</u>	<u>( 209,920)</u>	<u>( 4)</u>	<u>( 3,384)</u>	<u>( 81,976)</u>	<u>( 2)</u>
<b>Other comprehensive loss for the year</b>		<u>( 11,971)</u>	<u>( 210,005)</u>	<u>( 4)</u>	<u>( 3,487)</u>	<u>( 82,443)</u>	<u>( 2)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 308,523</u>	<u>\$ 1,222,158</u>	<u>23</u>	<u>\$ 263,999</u>	<u>\$ 1,136,437</u>	<u>25</u>
<b>Earnings per share (in dollars)</b>	6(24)						
9750 Basic earnings per share		<u>\$ 4.03</u>	<u>\$ 18.02</u>		<u>\$ 3.38</u>	<u>\$ 15.40</u>	
9850 Diluted earnings per share		<u>\$ 4.02</u>	<u>\$ 17.98</u>		<u>\$ 3.37</u>	<u>\$ 15.38</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															
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Other equity		Treasury stocks		Total equity	
											Financial statement translation differences of foreign operations					
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
<b>For the year ended December 31, 2018</b>																
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(17)															
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(17)	-	( 25,593)	( 119,238)	-	-	-	-	-	-	-	-	-	-	( 25,593)	( 119,238)
Share-based compensation payment	6(14)	-	-	3,177	14,686	-	-	-	-	-	-	-	-	-	3,177	14,686
Purchase of treasury stocks		-	-	-	-	-	-	-	-	-	-	-	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>
<b>For the year ended December 31, 2019</b>																
Balance at January 1, 2019	\$ 161,772	\$ 794,924	\$ 271,792	\$ 1,351,932	\$ 89,826	\$ 426,489	\$ 55,390	\$ 258,063	\$ 324,731	\$ 1,622,182	\$ 16,335	(\$ 340,039)	\$ -	\$ -	\$ 919,846	\$ 4,113,551
Profit for the year	-	-	-	-	-	-	-	-	320,494	1,432,163	-	-	-	-	320,494	1,432,163
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	( 19)	( 85)	( 11,952)	( 209,920)	-	-	( 11,971)	( 210,005)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	320,475	1,432,078	( 11,952)	( 209,920)	-	-	308,523	1,222,158
Appropriations of 2018 earnings	6(17)															
Legal reserve	-	-	-	-	26,901	121,888	-	-	( 26,901)	( 121,888)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	18,092	81,976	( 18,092)	( 81,976)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	( 210,529)	( 953,908)	-	-	-	-	( 210,529)	( 953,908)
Balance at December 31, 2019	<u>\$ 161,772</u>	<u>\$ 794,924</u>	<u>\$ 271,792</u>	<u>\$ 1,351,932</u>	<u>\$ 116,727</u>	<u>\$ 548,377</u>	<u>\$ 73,482</u>	<u>\$ 340,039</u>	<u>\$ 389,684</u>	<u>\$ 1,896,488</u>	<u>\$ 4,383</u>	<u>(\$ 549,959)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,840</u>	<u>\$ 4,381,801</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	For the year ended December 31, 2019		For the year ended December 31, 2018	
		CNY	TWD	CNY	TWD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax for the year		\$ 443,595	\$ 1,982,252	\$ 366,166	\$ 1,668,545
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation	6(6)(7)(22)	51,840	231,652	21,679	98,787
Amortization	6(8)(22)	6,020	26,901	5,243	23,891
Expected credit losses	6(20)	2,000	8,937	-	-
Net gain on financial assets and liabilities at fair value through profit or loss	6(10)(21)	( 5,984)	( 26,740)	( 6,512)	( 29,674)
Loss from redemption of corporate bonds					
Interest expense	6(21)	13,022	58,190	6,401	29,168
Interest income	6(19)	( 14,674)	( 65,572)	( 12,188)	( 55,539)
Compensation cost of share-based payments	6(14)	-	-	3,177	14,686
Share of loss of associates and joint venture accounted for under equity method	6(5)	576	2,574	887	4,042
Losses on disposal of property, plant and equipment	6(20)	200	894	122	556
Property, plant and equipment transferred to expenses		-	-	659	3,003
Impairment loss on non-financial assets	6(20)	-	-	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		5,984	26,740	6,512	29,674
Notes receivable		( 3)	( 13)	-	-
Accounts receivable		1,715	7,664	( 281)	( 1,280)
Accounts receivable - related parties		323	1,443	( 342)	( 1,558)
Other receivables		102	456	( 1,150)	( 5,240)
Other receivables - related parties		2	9	61	278
Inventories		19,255	86,043	( 8,923)	( 40,660)
Prepayments		( 4,810)	( 21,494)	181	825
Other non-current assets		-	-	( 8,948)	( 40,774)
Changes in operating liabilities					
Accounts payable		( 802)	( 3,584)	1,292	5,887
Accounts payable - related parties		2,705	12,088	( 94)	( 428)
Other payables		( 2,397)	( 10,711)	28,706	130,808
Other payables - related parties		817	3,651	451	2,055
Net defined benefit liabilities		( 72)	( 322)	17	68
Contract liabilities		6,555	29,292	( 25,518)	( 116,280)
Guarantee deposits		6,623	29,596	4,824	21,982
Cash provided by operating activities		532,592	2,379,946	386,410	1,760,995
Interest paid		( 12,966)	( 57,940)	( 5,955)	( 27,136)
Income tax paid		( 109,310)	( 488,463)	( 91,590)	( 417,357)
Net cash provided by operating activities		410,316	1,833,543	288,865	1,316,502

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

	Notes	For the year ended December 31, 2019		For the year ended December 31, 2018	
		CNY	TWD	CNY	TWD
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Decrease in other current financial assets		\$ -	\$ -	\$ 22,165	\$ 101,001
Acquisition of financial assets at amortised cost		( 76,092)	( 340,025)	( 28,036)	( 127,754)
Proceeds from disposal of financial assets at amortised cost		127,592	570,158	-	-
Increase in prepayment of investments		( 2,000)	( 8,937)	-	-
(Increase)decrease in other current assets		( 51)	( 228)	804	3,664
Acquisition of property, plant and equipment	6(6)	( 42,828)	( 191,382)	( 122,490)	( 558,163)
Proceeds from disposal of property, plant and equipment		47	210	70	319
Acquisition of subsidiary	6(26)	( 3,037)	( 13,571)	-	-
Acquisition of intangible assets	6(8)	( 1,385)	( 6,189)	( 232)	( 1,057)
Increase in other non-current assets		( 13,088)	( 58,485)	( 344)	( 1,568)
Interest received		14,835	66,292	11,317	51,569
Net cash provided by(used in) investing activities		3,993	17,843	( 116,746)	( 531,989)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in short-term borrowings	6(27)	155,240	693,706	66,369	302,429
Repayment of the principal portion of lease liabilities	6(27)	( 25,027)	( 111,836)	-	-
Repayments of bonds		-	-	( 417)	( 1,900)
Proceeds from long-term borrowings	6(27)	63,120	282,060	50,000	227,840
Repayments of long-term borrowings	6(27)	-	-	( 50,000)	( 227,840)
Treasury stock sold to employees	6(15)	-	-	26,449	116,563
Payment of cash dividends	6(17)	( 210,529)	( 953,908)	( 136,496)	( 635,938)
Net cash flows used in financing activities		( 17,196)	( 89,978)	( 44,095)	( 218,846)
Effects due to changes in exchange rates		( 12,017)	( 250,927)	4,576	( 42,410)
Increase in cash and cash equivalents		385,096	1,510,481	132,600	523,257
Cash and cash equivalents at beginning of year		882,380	3,946,003	749,780	3,422,746
Cash and cash equivalents at end of year		\$ 1,267,476	\$ 5,456,484	\$ 882,380	\$ 3,946,003

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, 2019 AND 2018

(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 which is not subject to corporate income tax under 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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized by the Board of Directors on March 12, 2020.

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 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'

- A. 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.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by CNY \$49,372 (TWD \$220,791), increased 'lease liability' by CNY \$45,019 (TWD \$201,325) and decreased prepaid rents by CNY \$4,353 (TWD \$19,466) with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of CNY \$323 (TWD \$1,443) was recognised for the year ended December 31, 2019.
  - The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate ranging from 2.64% to 3.915%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

	CNY	TWD
Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 54,995	\$ 245,938
Less: Short-term leases	( 2,221)	( 9,931)
Less: Low-value assets	( 5)	( 24)
Less: Contracts reassessed as service agreements	( 386)	( 1,727)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 52,383</u>	<u>\$ 234,256</u>
Incremental borrowing interest rate at the date of initial application	2.64%~3.915%	2.64%~3.915%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 45,019</u>	<u>\$ 201,325</u>

(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 2020 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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

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

(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 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
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

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.

(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, 2019	December 31, 2018	
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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
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	
Hong Kong Chlitina	Yong Li Trading Company Limited (Yong Li)	Dealer of skincare products	100	-	Note 3
Hong Kong Chlitina	Hong Kong W-Amber International Limited (Hong Kong W-Amber)	Investing	100	100	
Hong Kong Chlitina	Hong Kong W-Champion International Limited (Hong Kong W-Champion)	Investing	100	100	
Hong Kong Chlitina	Hong Kong Crystal Asia International Limited (Hong Kong Crystal Asia)	Investing	100	100	
Hong Kong Chlitina	Hua Pao Sdn. Bhd. (Hua Pao)	Dealer of skincare products	100	-	
Hong Kong W-Amber	Weihu (Shanghai) Trade Limited (Weihu Shanghai)	Investing, dealer of skincare products and supplementary health care products	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Hong Kong W-Amber	Crystal Asia (Shanghai) Limited (Crystal Asia Shanghai)	Dealer of skincare products and supplementary health care products	100	100	
Hong Kong W-Amber	Hong Kong Crystal International Services Limited (Hong Kong Crystal International)	Investing, dealer of skincare products and supplementary health care products	100	-	
Hong Kong Crystal Asia	Cui Jie (Shanghai) Trading Co. Ltd. (Cui Jie Shanghai)	Dealer of health food and daily necessities	100	100	
Hong Kong W-Champion	Wuguan (Shanghai) Trade Limited (Wuguan Shanghai)	Dealer of skincare products and supplementary health care products	100	100	
Chlitina China	Shanghai Zhe Mei Technology Training Co., Ltd. (Shanghai Zhe Mei)	Cosmetology training services	100	-	Note 4
Shanghai Li Shuo	He Deng Clinic (Shanghai) Co., Ltd. (He Deng Shanghai)	Dealer of general practice and foods	100	-	
Shanghai Yuanshuo	Beijing YaPulide Medical Beauty Treatment Clinic Co., Ltd. (Formerly: Beijing Aobaojia Medical Cosmetology Clinic Limited) (Beijing YaPulide)	Medical cosmetology services	100	100	
Shanghai Yuanshuo	Shanghai Yapu Medical Beauty Treatment Clinic Co., Ltd. (Shanghai Yapu)	Medical cosmetology services	100	-	
Shanghai Yuanshuo	Shanghai Lunxin Medical Beauty Clinic Co., Ltd. (Shanghai Lunxin)	Medical cosmetology services	100	-	



Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Shanghai Yuanshuo	Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. (Nanjing Yapu Lide)	Medical cosmetology services	100	-	
Shanghai Yuanshuo	Jinghe Clinic (Nanjing) Co., Ltd. (Nanjing Jinghe)	Dealer of general practice and foods	100	-	
W-Amber International	W-Amber Marketing Limited (W-Amber Marketing)	Investing	100	100	
Weihu Shanghai	Shanghai Yuanshuo Management Consulting Limited (Shanghai Yuanshuo)	Enterprise management consulting and investing	100	100	
Crystal Asia Shanghai	Li Shuo Biotechnology (Shanghai) Co., Ltd. (Shanghai Li Shuo)	Enterprise management consulting and investing	100	-	
W-Champion International	W-Champion Marketing Limited (W-Champion Marketing)	Investing	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 : On April 23, 2019, Hong Kong Chlitina International Limited acquired a 100% equity interest in Yong Li Trading Company Limited by cash amounting to VND \$226,000 (CNY \$65).

Note 4 : On September 2, 2019, Chlitina (China) Trade Limited acquired a 100% equity interest in Shanghai Zhe Mei Technology Training Co., Ltd. by cash amounting to CNY \$4,000.

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, 2019 and 2018, the spot exchange rates of CNY to TWD were CNY \$1=TWD \$4.3050 and CNY \$1=TWD \$4.4720, respectively, and the average exchange rates of CNY to TWD were CNY \$1=TWD \$4.4686 and CNY \$1=TWD \$4.5568, 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

- 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

- 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 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 the Group's share of change in equity of 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 structures	18 ~ 20 years
Transportation equipment	2 ~ 10 years
Machinery equipment	3 ~ 10 years
Office and other equipment	2 ~ 10 years

(15) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability; and
  - Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Operating leases (lessee)

Prior to 2019

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.

(17) 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.

(18) 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 13 to 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.

(19) 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.

(20) Borrowings

Borrowings are recognised 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 recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) 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.

(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) 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.

(24) 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.

(25) 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.

#### (26) Share capital

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.

#### (27) 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.

#### (28) 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 are 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 beautician 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, beautician training and others. In most cases, the beautician training can be provided by another party, therefore beautician training is accounted for us 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.

(29) 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.

(30) 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.

(31) 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, 2019, the carrying amount of inventories was CNY\$88,870 (TWD\$382,585).

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Cash on hand	\$ 362	\$ 1,558	\$ 390	\$ 1,744
Check deposits and demand deposits	494,603	2,129,266	308,197	1,378,257
Time deposits	146,146	629,159	120,000	536,640
Cash equivalents	626,365	2,696,501	453,793	2,029,362
	<u>\$ 1,267,476</u>	<u>\$ 5,456,484</u>	<u>\$ 882,380</u>	<u>\$ 3,946,003</u>

- A. As of December 31, 2019 and 2018, the Group's cash equivalents pertain to fixed rate financial instruments registered by Shanghai Stock Exchange with maturities of 7 to 28 days.
- B. As of December 31, 2019 and 2018, the Group's time deposits with maturity term of over three months amounted to CNY \$1 (TWD \$4) and CNY \$51,501 (TWD \$230,312) respectively, which were reclassified as financial assets at amortised cost-current.
- C. 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

Items	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Current items:				
Time deposits with maturity term of over three months	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 51,501</u>	<u>\$ 230,312</u>

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

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Interest income	<u>\$ 1,991</u>	<u>\$ 8,897</u>	<u>\$ 1,007</u>	<u>\$ 4,589</u>

- B. As at December 31, 2019 and 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 \$1 (TWD \$4) and CNY \$51,501 (TWD \$230,312), respectively.
- 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).

(3) Accounts receivable

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Accounts receivable	\$ 58	\$ 250	\$ 591	\$ 2,643
Accounts receivable - related parties	163	704	486	2,175
	<u>\$ 221</u>	<u>\$ 954</u>	<u>\$ 1,077</u>	<u>\$ 4,818</u>

A. As of December 31, 2019 and 2018, all the Group's accounts receivable arose from contracts with customers. In addition, on January 1, 2018, accounts receivable arising from contracts with customers amounted to CNY \$454 (TWD \$2,073).

B. The Group does not hold any collateral as security and has no accounts receivable pledged to others.

C. As at December 31, 2019 and 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 Group's accounts receivable was CNY \$221 (TWD \$954) and CNY \$1,077 (TWD \$4,818), respectively.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2019					
	Cost		Allowance for inventory valuation losses		Book value	
	CNY	TWD	CNY	TWD	CNY	TWD
Finished goods	\$ 47,923	\$ 206,309	(\$ 993)	(\$ 4,275)	\$ 46,930	\$ 202,034
Work in progress	14,858	63,964	( 1,363)	( 5,868)	13,495	58,096
Raw materials	30,650	131,948	( 2,205)	( 9,493)	28,445	122,455
	<u>\$ 93,431</u>	<u>\$ 402,221</u>	<u>(\$ 4,561)</u>	<u>(\$ 19,636)</u>	<u>\$ 88,870</u>	<u>\$ 382,585</u>

	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>

A. For the years ended December 31, 2019 and 2018, the cost of inventories recognised as expenses are as follows:

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Cost of goods sold	\$ 177,309	\$ 792,323	\$ 169,146	\$ 770,764
Loss on decline in market value	5,838	26,088	6,363	28,995
	<u>\$ 183,147</u>	<u>\$ 818,411</u>	<u>\$ 175,509</u>	<u>\$ 799,759</u>

B. The Group has no inventories pledged to others.

(5) Investments accounted for using equity method

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
	Associates	<u>\$ 4,543</u>	<u>\$ 19,558</u>	<u>\$ 5,119</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,			
	2019		2018	
	CNY	TWD	CNY	TWD
Loss for the year	(\$ 576)	(\$ 2,574)	(\$ 887)	(\$ 4,042)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	<u>(\$ 576)</u>	<u>(\$ 2,574)</u>	<u>(\$ 887)</u>	<u>(\$ 4,042)</u>

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

(6) Property, plant and equipment

(In thousands of CNY)

	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, 2019</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>
<u>2019</u>							
Balance at January 1	\$ 23,635	\$ 243,519	\$ 1,343	\$ 7,801	\$ 25,018	\$ 3,596	\$ 304,912
Additions	-	-	676	1,491	32,126	8,535	42,828
Acquired from business combinations	-	-	9	-	3,552	-	3,561
Disposals	-	-	( 32)	-	( 215)	-	( 247)
Reclassifications	-	( 6,022)	-	119	3,750	( 7,854)	( 10,007)
Depreciation charge	-	( 13,642)	( 450)	( 1,223)	( 9,197)	-	( 24,512)
Net exchange differences	917	-	18	-	213	22	1,170
Balance at December 31	<u>\$ 24,552</u>	<u>\$ 223,855</u>	<u>\$ 1,564</u>	<u>\$ 8,188</u>	<u>\$ 55,247</u>	<u>\$ 4,299</u>	<u>\$ 317,705</u>
<u>At December 31, 2019</u>							
Cost	\$ 24,552	\$ 294,166	\$ 5,975	\$ 16,107	\$ 108,668	\$ 4,299	\$ 453,767
Accumulated depreciation and impairment	-	( 70,311)	( 4,411)	( 7,919)	( 53,421)	-	( 136,062)
	<u>\$ 24,552</u>	<u>\$ 223,855</u>	<u>\$ 1,564</u>	<u>\$ 8,188</u>	<u>\$ 55,247</u>	<u>\$ 4,299</u>	<u>\$ 317,705</u>



(In thousands of CNY)

	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	\$ 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 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, 2019</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>
<u>2019</u>							
Balance at January 1	\$ 105,696	\$ 1,089,017	\$ 6,006	\$ 34,886	\$ 111,880	\$ 16,081	\$ 1,363,566
Additions	-	-	3,021	6,663	143,558	38,140	191,382
Acquired from business combinations	-	-	40	-	15,872	-	15,912
Disposals	-	-	( 143)	-	( 961)	-	( 1,104)
Reclassifications	-	( 26,910)	-	532	16,757	( 35,096)	( 44,717)
Depreciation charge	-	( 60,961)	( 2,011)	( 5,465)	( 41,098)	-	( 109,535)
Net exchange differences	-	( 37,450)	( 180)	( 1,367)	( 8,169)	( 618)	( 47,784)
Balance at December 31	<u>\$ 105,696</u>	<u>\$ 963,696</u>	<u>\$ 6,733</u>	<u>\$ 35,249</u>	<u>\$ 237,839</u>	<u>\$ 18,507</u>	<u>\$ 1,367,720</u>
<u>At December 31, 2019</u>							
Cost	\$ 105,696	\$ 1,266,385	\$ 25,722	\$ 69,341	\$ 467,816	\$ 18,507	\$ 1,953,467
Accumulated depreciation and impairment	-	( 302,689)	( 18,989)	( 34,092)	( 229,977)	-	( 585,747)
	<u>\$ 105,696</u>	<u>\$ 963,696</u>	<u>\$ 6,733</u>	<u>\$ 35,249</u>	<u>\$ 237,839</u>	<u>\$ 18,507</u>	<u>\$ 1,367,720</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>

- A. On June 29, 2018, the Group entered into an agreement with the related party, Zhaocang (Shanghai) 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.
- B. The aforementioned property, plant and equipment is for its own use.
- C. The Group recognised impairment loss amounting to CNY \$3,988 (NTD \$18,173) for the year ended December 31, 2018, as the previous decoration asset has no economic benefit since the usage purpose of the buildings and structures has changed.
- D. The Group has no property, plant and equipment pledged to others.

(7) Leasing arrangements - lessee

Effective 2019

- A. The Group leases various assets including buildings and office equipment. Rental contracts are typically made for periods of 1 to 14 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise parking lots. Low-value assets comprise copying machines.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	At December 31, 2019		Year ended December 31, 2019	
	Carrying amount		Depreciation charge	
	CNY	TWD	CNY	TWD
Buildings	\$ 114,673	\$ 493,667	\$ 26,617	\$ 118,941
Office equipment	15	65	5	22
	<u>\$ 114,688</u>	<u>\$ 493,732</u>	<u>\$ 26,622</u>	<u>\$ 118,963</u>

- D. For the year ended December 31, 2019, the additions to right-of-use assets was CNY \$90,641 (TWD \$405,038), and right-of-use assets acquired from business combination amounted to CNY \$510 (TWD \$2,279).

E. Information on income and expense relating to lease contracts is as follows:

	Year ended December 31, 2019	
	CNY	TWD
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,242	\$ 14,487
Expense on short-term lease contracts	3,021	13,500
Expense on leases of low- value assets	5	22

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was CNY \$31,295 (TWD \$139,845).

(8) Intangible assets

	2019							
	Goodwill		Licences		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
At January 1								
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>
Balance at January 1	\$ 1,684	\$ 7,531	\$ 5,353	\$ 23,939	\$ 9,964	\$ 44,558	\$ 17,001	76,028
Reclassifications	-	-	-	-	4,648	20,770	4,648	20,770
Additions-acquired separately	-	-	-	-	1,385	6,189	1,385	6,189
Additions-acquired through business combinations	1,529	6,688	4,102	17,938	449	1,962	6,080	26,588
Amortisation charge	-	-	( 509)	( 2,275)	( 5,511)	( 24,626)	( 6,020)	( 26,901)
Net exchange differences	-	( 387)	-	( 1,089)	( 6)	( 1,804)	( 6)	( 3,280)
Balance at December 31	<u>\$ 3,213</u>	<u>\$ 13,832</u>	<u>\$ 8,946</u>	<u>\$ 38,513</u>	<u>\$ 10,929</u>	<u>\$ 47,049</u>	<u>\$ 23,088</u>	<u>\$ 99,394</u>
At December 31								
Cost	\$ 3,213	\$ 13,832	\$ 10,162	\$ 43,748	\$ 37,848	\$ 162,935	\$ 51,223	\$ 220,515
Accumulated amortisation and impairment	-	-	( 1,216)	( 5,235)	( 26,919)	( 115,886)	( 28,135)	( 121,121)
	<u>\$ 3,213</u>	<u>\$ 13,832</u>	<u>\$ 8,946</u>	<u>\$ 38,513</u>	<u>\$ 10,929</u>	<u>\$ 47,049</u>	<u>\$ 23,088</u>	<u>\$ 99,394</u>

	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>

- 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.
- C. For the year ended December 31, 2019, the Group increased the intangible assets - goodwill arising through the business combinations by CNY \$1,529 (TWD \$6,688). The related information is provided in Note 6(26).

(9) Short-term borrowings

Type of borrowings	December 31, 2019		Interest rate range	Collateral
	CNY	TWD		
Bank borrowings				
Unsecured borrowings	<u>\$ 388,162</u>	<u>\$ 1,671,037</u>	2.56%~2.90%	-
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%	-

A. The Group recognised interest expense in profit or loss for the years ended December 31, 2019 and 2018, from long-term and short-term borrowings, amounting to CNY \$9,780 (TWD \$43,703) and CNY \$6,393 (TWD \$29,133), respectively.

B. The bank borrowing 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, 2019 and 2018, the Group has not violated the borrowings agreement.

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

As of December 31, 2019 and 2018: None.

The Group recognised net gain of CNY \$5,984 (TWD \$26,740) and CNY \$6,512 (TWD \$29,674) on financial assets and liabilities held for trading for the years ended December 31, 2019 and 2018, respectively.

(11) Other payables

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Wages and salaries payable	\$ 29,595	\$ 127,406	\$ 21,940	\$ 98,116
Tax payable	12,528	53,933	14,749	65,958
Others	83,079	357,656	88,401	395,328
	<u>\$ 125,202</u>	<u>\$ 538,995</u>	<u>\$ 125,090</u>	<u>\$ 559,402</u>

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2019	
				CNY	TWD
Unsecured borrowings					
CTBC BANK	Borrowing period is from November 19, 2019 to August 19, 2021; interest is payable monthly; principal is payable at maturity	2.91%	None	\$ 62,676	\$ 269,820
Less: Current portion				-	-
				<u>\$ 62,676</u>	<u>\$ 269,820</u>

As of December 31, 2018: None.

(13) 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 recognised in the balance sheet are determined as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>CNY</u>	<u>TWD</u>	<u>CNY</u>	<u>TWD</u>
Present value of defined benefit obligations	\$ 1,049	\$ 4,516	\$ 1,061	\$ 4,745
Fair value of plan assets	-	-	-	-
Net defined benefit liability	<u>\$ 1,049</u>	<u>\$ 4,516</u>	<u>\$ 1,061</u>	<u>\$ 4,745</u>

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

<u>Year ended</u>	<u>(In thousands of CNY)</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>December 31, 2019</u>			
Balance at January 1	\$ 1,061	\$ -	\$ 1,061
Current service cost	14	-	14
Past service cost	( 84)	-	( 84)
	<u>991</u>	<u>-</u>	<u>991</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	33	-	33
Experience adjustments	( 14)	-	( 14)
	<u>19</u>	<u>-</u>	<u>19</u>
Pension fund contribution	-	-	-
Paid pension	-	-	-
Exchange difference	39	-	39
Balance at December 31	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ 1,049</u>



(In thousands of CNY)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended</u>			
<u>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 TWD)

<u>Year ended</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>December 31, 2019</u>			
Balance at January 1	\$ 4,745	\$ -	\$ 4,745
Current service cost	64	-	64
Past service cost	( 378)	-	( 378)
	<u>4,431</u>	<u>-</u>	<u>4,431</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	149	-	170
Experience adjustments	( 64)	-	( 64)
	<u>85</u>	<u>-</u>	<u>85</u>
Pension fund contribution	-	-	-
Paid pension	-	-	-
Balance at December 31	<u>\$ 4,516</u>	<u>\$ -</u>	<u>\$ 4,516</u>

(In thousands of TWD)

<u>Year ended</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>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	<u>297</u>	<u>-</u>	<u>297</u>
	<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>

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

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Discount rate	1.125%	1.375%
Future salary increases	3.000%	3.000%

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:

	Discount rate		(In thousands of CNY) Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2019</u>				
Impact on present value of defined benefit obligation	<u>(\$ 34)</u>	<u>\$ 35</u>	<u>\$ 34</u>	<u>(\$ 33)</u>
<u>December 31, 2018</u>				
Impact on present value of defined benefit obligation	<u>(\$ 38)</u>	<u>\$ 39</u>	<u>\$ 38</u>	<u>(\$ 37)</u>
	Discount rate		(In thousands of TWD) Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2019</u>				
Impact on present value of defined benefit obligation	<u>(\$ 145)</u>	<u>\$ 150</u>	<u>\$ 145</u>	<u>(\$ 141)</u>
<u>December 31, 2018</u>				
Impact on present value of defined benefit obligation	<u>(\$ 170)</u>	<u>\$ 177</u>	<u>\$ 171</u>	<u>(\$ 165)</u>

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, 2020 amount to \$0.
  - (f) As of December 31, 2019, the weighted average duration of that retirement plan is 16.1 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	16%~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. 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, 2019 and 2018 were CNY \$14,148 (TWD \$63,223) and CNY \$11,732 (TWD \$53,461), respectively.

(14) Share-based payment

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

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

The abovementioned share-based payment arrangement 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:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (years)	Expected dividends	Risk-free interest rate	(TWD) Fair value per unit (in dollars)
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:

For the year ended December 31, 2019: None.

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

### (15) Share capital

- A. As of December 31, 2019, 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:

	2019	2018
At January 1	79,492	78,695
Treasury shares sold to employees	-	797
At December 31	<u>79,492</u>	<u>79,492</u>

### (16) Capital surplus

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

	2019									
	Share premium		Employee stock options		Stock options		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
At January 1 (December 31)	\$ 263,560	\$ 1,288,068	\$ 809	\$ 3,924	\$ 15	\$ 78	\$ 7,408	\$ 59,862	\$ 271,792	\$ 1,351,932
	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>

### (17) 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 2018 and 2017 as resolved by the shareholders at their meetings on June 5, 2019 and June 5, 2018, respectively, are as follows:

	2018			2017		
	CNY	TWD	Dividends per share (New Taiwan dollars)	CNY	TWD	Dividends per share (New Taiwan dollars)
Special reserve	\$ 18,092	\$ 81,976		\$ 55,390	\$ 258,063	
Legal reserve	26,901	121,888		12,513	58,296	
Cash dividends	210,529	953,908	\$ 12.00	110,903	516,700	\$ 6.50
	<u>\$ 255,522</u>	<u>\$ 1,157,772</u>		<u>\$ 178,806</u>	<u>\$ 833,059</u>	

- 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 (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 would have been distributed at TWD \$1.50 (in dollars) per share.
- F. The earnings appropriations of 2019 had been proposed by the Board of Directors on March 12, 2020. Details are summarised below:

	2019		
	CNY (Note)	TWD	Dividends per share (New Taiwan dollars)
Legal reserve	\$ 48,762	\$ 209,920	
Special reserve	33,267	143,216	
Cash dividends	240,047	1,033,401	\$ 13.00
	<u>\$ 322,076</u>	<u>\$ 1,386,537</u>	

Note: The retained earnings appropriation in relevant amount of CNY for 2019 were presented at spot exchange rates prevailing at the end of the annual reporting period.

The abovementioned 2019 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(22).

(18) Operating revenue

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Revenue from contracts with customers	<u>\$ 1,149,997</u>	<u>\$ 5,138,879</u>	<u>\$ 1,004,765</u>	<u>\$ 4,578,513</u>

A. Disaggregation of revenue from contracts with customers

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

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Net sales of goods	\$ 1,108,914	\$ 4,955,295	\$ 960,018	\$ 4,374,610
Special affiliate income	32,584	145,605	36,701	167,239
OEM income	292	1,305	808	3,682
Skincare service from company-operated salon and other income	8,207	36,674	7,238	32,982
	<u>\$ 1,149,997</u>	<u>\$ 5,138,879</u>	<u>\$ 1,004,765</u>	<u>\$ 4,578,513</u>

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

B. Contract liabilities

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

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Contract liabilities-advance sales receipts from customers	<u>\$ 56,007</u>	<u>\$ 241,110</u>	<u>\$ 46,791</u>	<u>\$ 209,090</u>

	January 1, 2018	
	CNY	TWD
Contract liabilities-advance sales receipts from customers	<u>\$ 72,239</u>	<u>\$ 329,771</u>

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

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Contract liabilities-advance sales receipts from customers at the beginning of the year	<u>\$ 46,791</u>	<u>\$ 209,090</u>	<u>\$ 72,239</u>	<u>\$ 329,179</u>



(19) Other income

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Interest income				
Interest income from bank deposits	\$ 5,508	\$ 24,613	\$ 4,085	\$ 18,615
Interest income from financial assets at amortised cost	1,991	8,897	1,007	4,589
Other interest income	7,175	32,062	7,096	32,335
Government grants revenue	23,563	105,294	16,821	76,650
Others	1,955	8,736	2,744	12,503
	<u>\$ 40,192</u>	<u>\$ 179,602</u>	<u>\$ 31,753</u>	<u>\$ 144,692</u>

(20) Other gains and losses

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Losses on disposal of property, plant and equipment	(\$ 200)	(\$ 894)	(\$ 122)	(\$ 556)
Foreign exchange gains (losses)	12,829	57,328	( 3,866)	( 17,617)
Net gains on financial assets and financial liabilities at fair value through profit or loss	5,984	26,740	6,512	29,674
Impairment losses on property, plant and equipment	-	-	( 3,988)	( 18,173)
Expected credit loss	( 2,000)	( 8,937)	-	-
Other gains	23	103	234	1,067
	<u>\$ 16,636</u>	<u>\$ 74,340</u>	<u>(\$ 1,230)</u>	<u>(\$ 5,605)</u>

(21) Finance cost

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Interest expense-Bank borrowings	\$ 9,780	\$ 43,703	\$ 6,393	\$ 29,133
Interest expense-Lease liability	3,242	14,487	-	-
Interest expense-Convertible bonds	-	-	8	35
	<u>\$ 13,022</u>	<u>\$ 58,190</u>	<u>\$ 6,401</u>	<u>\$ 29,168</u>

(22) Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2019					
	Operating costs		Operating expenses		Total	
	CNY	TWD	CNY	TWD	CNY	TWD
Employee benefit expense						
Wages and salaries	\$ 8,742	\$ 39,065	\$ 131,529	\$ 587,750	\$ 140,271	\$ 626,815
Labour and health insurance fees	803	3,588	8,554	38,224	9,357	41,812
Pension costs	708	3,164	13,370	59,745	14,078	62,909
Other employee benefit expense	424	1,895	12,388	55,357	12,812	57,252
Depreciation	2,570	11,484	49,270	220,168	51,840	231,652
Amortisation	190	849	5,830	26,052	6,020	26,901

	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

- 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, include the employees of the subsidiaries of the Company who meet certain specific requirements.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at CNY \$6,801 (TWD \$30,391) and CNY \$5,589 (TWD \$25,468), respectively; directors' remuneration was accrued at CNY \$3,401 (TWD \$15,198) and CNY \$2,794 (TWD \$12,732), respectively. Those were estimated based on the net income before tax less employees' compensation and directors' remuneration and then multiplied by the distribution ratio as regulated in the Company's Articles of Incorporation, and recognised as salary expenses.

The employees' compensation and directors' remuneration for 2018 as approved by the Board of Directors on April 23, 2019 amounted to CNY \$5,589 (TWD \$25,468) and CNY \$2,794 (TWD \$12,732), respectively, which were in agreement with the amounts recognised in the financial statements for the year ended December 31, 2018. 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.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Current tax:				
Current tax on profits for the year	\$ 122,092	\$ 545,578	\$ 92,636	\$ 422,129
Prior year income tax underestimation	894	3,995	833	3,796
Total current tax	<u>122,986</u>	<u>549,573</u>	<u>93,469</u>	<u>425,925</u>
Deferred tax:				
Origination and reversal of temporary differences	115	516	5,392	24,570
Impact of change in tax rate	-	-	( 181)	( 830)
Total deferred tax	<u>115</u>	<u>516</u>	<u>5,211</u>	<u>23,740</u>
Income tax expense	<u>\$ 123,101</u>	<u>\$ 550,089</u>	<u>\$ 98,680</u>	<u>\$ 449,665</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 113,047	\$ 505,162	\$ 94,708	\$ 431,570
Effect from items disallowed by tax regulation	501	2,238	846	3,855
Effect from tax exempt income by tax regulation	-	-	( 4,677)	( 21,312)
Taxable loss not recognised as deferred tax assets	4,705	21,024	3,193	14,550
Change in assessment of realisation of deferred tax assets	( 224)	( 1,000)	-	-
Prior year income tax underestimation	894	3,995	833	3,796
Effect from changes in tax regulation	-	-	( 181)	( 830)
Withholding tax on distributable earnings of subsidiaries in China	4,178	18,670	3,900	17,772
Effect of loss deduction	-	-	58	264
Income tax expense	<u>\$ 123,101</u>	<u>\$ 550,089</u>	<u>\$ 98,680</u>	<u>\$ 449,665</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)				
	2019				
	January 1	Recognised in profit or loss	Translation differences	Business combination	December 31
Deferred tax assets:					
Temporary differences					
Unrealised expenses	\$ 1,545	(\$ 277)	\$ -	\$ -	\$ 1,268
Decline in value of inventories	2,436	( 19)	38	-	2,455
Unrealised exchange loss	8	3	1	-	12
Loss carryforwards	<u>2,989</u>	<u>242</u>	<u>21</u>	<u>-</u>	<u>3,252</u>
	<u>\$ 6,978</u>	<u>(\$ 51)</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 6,987</u>
Deferred tax liabilities:					
Temporary differences					
Withholding tax of attributable earnings	(\$ 4,048)	(\$ 191)	\$ 61	\$ -	(\$ 4,178)
Licences	( 1,338)	127	-	( 1,026)	( 2,237)
	<u>(\$ 5,386)</u>	<u>(\$ 64)</u>	<u>\$ 61</u>	<u>(\$ 1,026)</u>	<u>(\$ 6,415)</u>
	<u>\$ 1,592</u>	<u>(\$ 115)</u>	<u>\$ 121</u>	<u>(\$ 1,026)</u>	<u>\$ 572</u>

(In thousands of CNY)

		2018				
		January 1	Recognised in profit or loss	Translation differences	Business combination	December 31
Deferred tax assets:						
Temporary differences						
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		<u>2,900</u>	<u>16</u>	<u>73</u>	<u>-</u>	<u>2,989</u>
	\$	<u>8,363</u>	<u>(\$ 1,412)</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 6,978</u>
Deferred tax liabilities:						
Temporary differences						
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 TWD)

		2019				
		January 1	Recognised in profit or loss	Translation differences	Business combination	December 31
Deferred tax assets:						
Temporary differences						
Unrealised expenses	\$	6,909	(\$ 1,238)	(\$ 212)	\$ -	\$ 5,459
Decline in value of inventories		10,894	( 85)	( 240)	-	10,569
Unrealised exchange loss		36	13	3	-	52
Loss carryforwards		<u>13,367</u>	<u>1,081</u>	<u>( 449)</u>	<u>-</u>	<u>13,999</u>
	\$	<u>31,206</u>	<u>(\$ 229)</u>	<u>(\$ 898)</u>	<u>\$ -</u>	<u>\$ 30,079</u>
Deferred tax liabilities:						
Temporary differences						
Withholding tax of attributable earnings	(\$	18,103)	(\$ 854)	\$ 971	\$ -	(\$ 17,986)
Licences		( 5,983)	568	271	( 4,487)	( 9,631)
	(\$	<u>24,086)</u>	<u>(\$ 286)</u>	<u>\$ 1,242</u>	<u>(\$ 4,487)</u>	<u>(\$ 27,617)</u>
	\$	<u>7,120</u>	<u>(\$ 515)</u>	<u>\$ 344</u>	<u>(\$ 4,487)</u>	<u>\$ 2,462</u>

(In thousands of TWD)

	2018				December 31
	January 1	Recognised in profit or loss	Translation differences	Business combination	
Deferred tax assets:					
Temporary differences					
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>-</u>	<u>13,367</u>
	<u>\$ 38,177</u>	<u>(\$ 6,428)</u>	<u>(\$ 543)</u>	<u>\$ -</u>	<u>\$ 31,206</u>
Deferred tax liabilities:					
Temporary differences					
Withholding tax of attributable earnings	\$ -	(\$ 17,772)	(\$ 331)	\$ -	(\$ 18,103)
Licences	( 6,569)	460	126	-	( 5,983)
	<u>(\$ 6,569)</u>	<u>(\$ 17,312)</u>	<u>(\$ 205)</u>	<u>\$ -</u>	<u>(\$ 24,086)</u>
	<u>\$ 31,608</u>	<u>(\$ 23,740)</u>	<u>(\$ 748)</u>	<u>\$ -</u>	<u>\$ 7,120</u>

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

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Tax losses	<u>\$ 90,851</u>	<u>\$ 411,233</u>	<u>\$ 71,263</u>	<u>\$ 326,806</u>

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

- E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary differences unrecognised as deferred tax liabilities were CNY\$50,167 (TWD \$224,176) and CNY\$37,780 (TWD \$172,155), 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 2017 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 from the first quarter of 2018.

## (24) Earnings per share

	Year ended December 31, 2019				
	Amount after tax (In thousands of CNY)	Amount after tax (In thousands of TWD)	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (CNY dollars)	Earnings per share (TWD dollars)
<u>Basic earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 320,494	\$ 1,432,163	79,492	\$ 4.03	\$ 18.02
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 320,494	\$ 1,432,163	79,492		
Assumed conversion of all dilutive potential ordinary shares					
Employees' compensation	-	-	157		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 320,494	\$ 1,432,163	79,649	\$ 4.02	\$ 17.98
	Year ended December 31, 2018				
	Amount after tax (In thousands of CNY)	Amount after tax (In thousands of TWD)	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (CNY dollars)	Earnings per share (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					
Conversion bonds	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

## (25) Operating leases

### Effective 2018

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) for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	
	CNY	TWD
Not later than one year	\$ 22,472	\$ 100,495
Later than one year but not later than five years	29,761	133,091
Over five years	2,762	12,352
	<u>\$ 54,995</u>	<u>\$ 245,938</u>

(26) Business combinations

- A. On September 2, 2019, the Group acquired 100% of the share capital of Shanghai Zhe Mei Technology Training Co., Ltd. (Shanghai Zhe Mei) for CNY \$4,000 and obtained the control of Shanghai Zhe Mei, a cosmetology training service provider operating in Shanghai. As a result of the acquisition, the Group expected to increase its overall brand value and enhance the plan for a beauty industry chain.
- B. The following table summarises the consideration paid for Shanghai Zhe Mei and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	September 2, 2019	
	CNY	TWD
Purchase consideration		
Cash paid	\$ 4,000	\$ 17,492
Fair value of the identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	856	3,744
Accounts receivable	1,182	5,169
Other current assets	63	276
Other non-current assets	3,552	15,532
Intangible assets	4,551	19,900
Accounts payable	( 2,459)	( 10,752)
Contract liabilities	( 2,661)	( 11,638)
Other payables	( 1,587)	( 6,940)
Deferred tax liabilities	( 1,026)	( 4,487)
Total identifiable net assets	2,471	10,804
Goodwill	\$ 1,529	\$ 6,688

- C. The operating revenue included in the consolidated statement of comprehensive income since September 2, 2019 contributed by Shanghai Zhe Mei was CNY \$3,970 (TWD \$17,740). Shanghai Zhe Mei also contributed loss before income tax of CNY \$2,607 (TWD \$11,650) over the same period. Had Shanghai Zhe Mei been consolidated from January 1, 2019, the consolidated statement of comprehensive income would show operating revenue of CNY \$1,150,391 (TWD \$5,140,637) and profit before income tax of CNY \$442,040 (TWD \$1,975,300).



(27) Changes in liabilities from financing activities

	Short-term loans		Lease liabilities		Long-term borrowings	
	CNY	TWD	CNY	TWD	CNY	TWD
At January 1, 2019	\$ 231,386	\$ 1,034,758	\$ 45,019	\$ 201,325	\$ -	\$ -
Changes in cash flow from financing activities	155,240	693,706	( 25,027)	( 111,836)	-	-
Proceeds from long-term borrowings	-	-	-	-	63,120	282,060
Increase in lease liabilities	-	-	90,641	405,038	-	-
Increase in lease liabilities acquired from business combinations	-	-	510	2,279	-	-
Interest paid on lease liabilities	-	-	( 3,242)	( 14,487)	-	-
Interest expense on lease liabilities	-	-	3,242	14,487	-	-
Lease liabilities reclassification	-	-	( 166)	( 742)	-	-
Impact of changes in foreign exchange rate	1,536	( 57,427)	753	( 15,066)	( 444)	( 12,240)
At December 31, 2019	<u>\$ 388,162</u>	<u>\$ 1,671,037</u>	<u>\$ 111,730</u>	<u>\$ 480,998</u>	<u>\$ 62,676</u>	<u>\$ 269,820</u>

	Short-term loans		Long-term borrowings	
	CNY	TWD	CNY	TWD
At January 1, 2018	\$ 156,460	\$ 714,240	\$ -	\$ -
Changes in cash flow from financing activities	66,369	302,429	-	-
Proceeds from long-term borrowings	-	-	50,000	227,840
Repayments of long-term borrowings	-	-	( 50,000)	( 227,840)
Impact of changes in foreign exchange rate	8,557	18,089	-	-
At December 31, 2018	<u>\$ 231,386</u>	<u>\$ 1,034,758</u>	<u>\$ -</u>	<u>\$ -</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Group	Notes
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	
Chen, Wu-Kang	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	Note
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	
Long Chuang (Guangzhou) Daily Product Co., Ltd. (Long Chuang Daily )	Other related party	
SHANGHAI ZHONGYE TRADE CO., LTD. (Shanghai Zhongye)	Associate	

Others (for insignificant related party transactions)

Other related party

Note: On September 2, 2019, the Group acquired a 100% equity interest in Shanghai Zhe Mei by cash amounting to CNY \$4,000 and the entity was then included in the consolidated financial statements. Consequently, Shanghai Zhe Mei is no longer a related party after the date of acquisition.

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Sales of goods and OEM income:				
Associate	\$ 994	\$ 4,440	\$ 234	\$ 1,066
Other related parties	1,843	8,238	1,546	7,045
	<u>\$ 2,837</u>	<u>\$ 12,678</u>	<u>\$ 1,780</u>	<u>\$ 8,111</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,			
	2019		2018	
	CNY	TWD	CNY	TWD
Associate	\$ 904	\$ 4,038	\$ 14	\$ 64
Other related parties				
Charming Biotech	10,262	45,853	21,358	97,326
Others	2,045	9,139	15,754	71,784
	<u>\$ 13,211</u>	<u>\$ 59,030</u>	<u>\$ 37,126</u>	<u>\$ 169,174</u>

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

C. Receivables from related parties

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Accounts receivable:				
Associate				
Shanghai Zhongye	\$ 51	\$ 221	\$ 271	\$ 1,212
Other related parties				
Kelti China	59	254	96	428
Mc.Reene	45	194	56	250
Others	8	35	63	285
	<u>\$ 163</u>	<u>\$ 704</u>	<u>\$ 486</u>	<u>\$ 2,175</u>
Other receivables:				
Other related parties	<u>\$ 198</u>	<u>\$ 849</u>	<u>\$ 200</u>	<u>\$ 894</u>

The receivables from related parties are unsecured in nature, bear no interest, and there are no allowances for receivables.

#### D. Payables to related parties

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Accounts payable:				
Associate	\$ -	\$ -	\$ 4	\$ 18
Other related parties				
Charming Biotech	2,931	12,615	2,315	10,353
Others	2,933	12,629	840	3,758
	<u>\$ 5,864</u>	<u>\$ 25,244</u>	<u>\$ 3,159</u>	<u>\$ 14,129</u>
Other payables:				
Associate	\$ 3	\$ 11	\$ 8	\$ 36
Other related parties	2,793	12,025	1,971	8,814
	<u>\$ 2,796</u>	<u>\$ 12,036</u>	<u>\$ 1,979</u>	<u>\$ 8,850</u>

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

#### E. Leasing arrangements - lessee

- (a) The Group leases offices and plant from related parties for periods of 3 to 10 years and rents are payable at the beginning of each month.
- (b) Acquisition of right-of-use assets

	Year ended December 31, 2019	
	CNY	TWD
Other related parties	<u>\$ 11,558</u>	<u>\$ 51,648</u>

On January, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets of other related parties by CNY \$16,833 (TWD \$75,277).

#### (c) Lease liability

##### i. Balance at end of year

	December 31, 2019	
	CNY	TWD
Other related parties	<u>\$ 18,172</u>	<u>\$ 78,230</u>

##### ii. Interest expense

	Year ended December 31, 2019	
	CNY	TWD
Other related parties	<u>\$ 425</u>	<u>\$ 1,899</u>

## F. Prepayments

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Other related parties	\$ 185	\$ 796	\$ 166	\$ 743

## G. Property transactions

### (a) Acquisition of ownership interests in subsidiaries

On September 2, 2019, the Group acquired 100% of the share capital of Shanghai Zhe Mei from other related party, Kelti China, and obtained the control over it. The amount of the contract is CNY \$4,000 (TWD \$17,492) which was based on the appraisal report of the shareholders' equity value issued by Shanghai Shenwei Assets Appraisal Co., Ltd.

### (b) 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 value-added tax) is CNY \$107,856 (TWD \$491,478) which was based on the appraisal report issued by Shanghai Shenwei Assets Appraisal Co., Ltd. The Group has paid the related payment (including value-added tax) amounting to CNY \$110,878 (TWD \$505,249), and the prepayment was reclassified from other non-current assets to property, plant and equipment. In August 2018, the transfer of the building and parking space has been completed.

## H. Services expense

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Other related parties	\$ 2,626	\$ 11,736	\$ 1,072	\$ 4,884

For the services provided by the related parties, prices and terms were determined in accordance with mutual agreements.

## I. Lease expense

	Year ended December 31, 2018	
	CNY	TWD
Other related parties		
Kelti China	\$ 4,698	\$ 21,408
Others	5,495	25,039
	\$ 10,193	\$ 46,447

The lease contracts refer to the market price and normal payment terms.

From January 1, 2019, information on the lease contract of lessees in accordance with IFRS 16 is provided in Note 7(2) E.

J. Training expense

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Other related parties				
Shanghai Zhe Mei	\$ 7,702	\$ 34,416	\$ 8,320	\$ 37,913

(3) Key management compensation

	Years ended December 31,			
	2019		2018	
	CNY	TWD	CNY	TWD
Salaries and other short-term employee benefits	\$ 17,555	\$ 78,444	\$ 14,539	\$ 66,254
Post-employment benefits	49	219	48	219
	\$ 17,604	\$ 78,663	\$ 14,587	\$ 66,473

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure

	December 31, 2019		December 31, 2018	
	CNY	TWD	CNY	TWD
Contract signed	\$ 3,522	\$ 15,162	\$ 5,795	\$ 25,915

B. 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. As of December 31, 2019, the Group has paid the aforementioned payment amounting to CNY \$2,000.

C. 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. As of December 31, 2019, the Group has paid the aforementioned payment amounting to CNY \$20,500.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Details of the appropriation of 2019 earnings as proposed by the Board of Directors on March 12, 2020 are provided in Note 6(17).
- (2) In order to increase the Group's product competitiveness and obtain exclusive rights to key raw materials in specific regions. The subsidiary, Hong Kong Chlitina International Limited, acquired 10,000,000 shares of General Biologicals Corp. through the private placement at TWD \$10 (in dollars) per share and total amount of TWD \$100,000. The shareholding ratio is 20.05%. The payment was made on January 14, 2020.
- (3) Due to the global spread of COVID-19 originating from China in January 2020, people's willingness to spend has been influenced. The Group pays close attention to changes in the situation of the epidemic all over the world and cooperates with policies of the governments and maintain close contact with customers and suppliers. However, the subsequent impact on the operations will depend on the subsequent situation of the epidemic.
- (4) On March 12, 2020, the Board of Directors resolved to repurchase 1,000 thousand shares of the Company from March 13, 2020 to May 12, 2020. The price range is from TWD \$150 (in dollars) to TWD \$262 (in dollars).

#### 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 2019, the Group's strategy was to maintain the liability ratio within reasonable range, which was unchanged from 2018. The liability ratios at December 31, 2019 and 2018 were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Liability ratio	<u>46%</u>	<u>36%</u>



## (2) Financial instruments

### A. Financial instruments by category

	<u>December 31, 2019</u>		<u>December 31, 2018</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	\$ 1,267,476	\$ 5,456,484	\$ 882,380	\$ 3,946,003
Financial assets at amortised cost	1	4	51,501	230,312
Accounts receivable	3	13	-	-
(including related parties)				
Other receivables	221	954	1,077	4,818
(including related parties)				
Other financial assets	<u>3,531</u>	<u>15,198</u>	<u>3,614</u>	<u>16,161</u>
	<u>\$ 1,271,232</u>	<u>\$ 5,472,653</u>	<u>\$ 938,572</u>	<u>\$ 4,197,294</u>
	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>CNY</u>	<u>TWD</u>	<u>CNY</u>	<u>TWD</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost				
Short-term loans	\$ 388,162	\$ 1,671,037	\$ 231,386	\$ 1,034,758
Accounts payable	21,171	91,141	16,381	73,258
(including related parties)				
Other payables	127,998	551,031	127,069	568,252
(including related parties)				
Guarantee deposits received	70,346	302,840	63,723	284,968
Long-term borrowings	<u>62,676</u>	<u>269,820</u>	<u>-</u>	<u>-</u>
	<u>\$ 670,353</u>	<u>\$ 2,885,869</u>	<u>\$ 438,559</u>	<u>\$ 1,961,236</u>
Lease liabilities				
(including current and non-current)	<u>\$ 111,730</u>	<u>\$ 480,998</u>	<u>\$ -</u>	<u>\$ -</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

- i. 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.
- ii. 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.
- iii. 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 currency amount (In thousands)	Exchange rate	CNY	TWD
December 31, 2019				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : CNY	\$ 1,578	6.9640	\$ 10,989	\$ 47,308
USD : TWD	11,995	29.9800	83,533	359,610
USD : HKD	9,672	7.7890	67,356	289,968
CNY : TWD	9,647	4.3050	9,647	41,530
CNY : USD	53	0.1436	53	228
CNY : HKD	865	1.1184	865	3,724
EUR : USD	83	1.1204	648	2,790
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : CNY	\$ 1,936	6.9640	\$ 13,482	\$ 58,040
USD : TWD	64,738	29.9800	450,838	1,940,857
USD : HKD	422	7.7890	2,939	12,652

(Foreign currency: functional currency) December 31, 2018	Foreign currency amount (In thousands)	Exchange rate	CNY	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : CNY	\$ 3,814	6.8683	\$ 26,196	\$ 117,149
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

### Financial liabilities

#### Monetary items

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

#### Monetary items

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

- iv. 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, 2019 and 2018, amounted to gain of CNY \$12,829 (TWD \$57,328) and loss of CNY \$3,866 (TWD \$17,617), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2019				
	Sensitivity analysis				
	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%	\$ 330	\$ 1,419	\$ -	\$ -
USD : TWD	3%	2,506	10,788	-	-
USD : HKD	3%	2,021	8,699	-	-
CNY : TWD	3%	289	1,246	-	-
CNY : USD	3%	2	7	-	-
CNY : HKD	3%	26	112	-	-
EUR : USD	3%	19	84	-	-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : CNY	3%	\$ 404	\$ 1,741	\$ -	\$ -
USD : TWD	3%	13,525	58,226	-	-
USD : HKD	3%	88	380	-	-

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%	\$ 786	\$ 3,514	\$ -	\$ -
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	-	-

### 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 and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. As of December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in US Dollars.

### (b) Credit risk

- 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 assumption 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 reorganisation 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, 2019 and 2018, the Group has no written-off financial assets that are still under recourse procedures.
- viii. The Group's accounts receivable are with customers who have optimal credit rating, and the expected credit loss rate is 0.03%. As of December 31, 2019 and 2018, the carrying amount of accounts receivable (including related parties) amounted to CNY \$221 (TWD \$954) and CNY \$1,077 (TWD \$4,818), respectively. 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, 2019							
		12 months		Lifetime		Impairment of credit		Total	
		CNY	TWD	Significant increase in credit risk		CNY	TWD	CNY	TWD
				CNY	TWD	CNY	TWD	CNY	TWD
Financial assets at amortised cost		\$ 1	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 4

		December 31, 2018							
		12 months		Lifetime		Impairment of credit		Total	
		CNY	TWD	Significant increase in credit risk		CNY	TWD	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.

(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 headroom as determined by the abovementioned 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.

<u>Non-derivative</u>		(In thousands of CNY)		
<u>financial liabilities:</u>			Between 1	
December 31, 2019		Less than 1 year	and 2 years	Over 2 years
Short-term loans	\$	388,162	\$ -	\$ -
Accounts payable (including related parties)		21,171	-	-
Other payables (including related parties)		127,998	-	-
Lease liabilities		29,784	21,489	74,414
Guarantee deposits received		70,346	-	-
Long-term borrowings		-	62,676	-

<u>Non-derivative</u>				
<u>financial liabilities:</u>			Between 1	
December 31, 2018		Less than 1 year	and 2 years	Over 2 years
Short-term loans	\$	231,386	\$ -	\$ -
Accounts payable (including related parties)		16,381	-	-
Other payables (including related parties)		127,069	-	-
Guarantee deposits received		63,723	-	-

The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative</u>		(In thousands of TWD)		
<u>financial liabilities:</u>			Between 1	
December 31, 2019		Less than 1 year	and 2 years	Over 2 years
Short-term loans	\$	1,671,037	\$ -	\$ -
Accounts payable (including related parties)		91,141	-	-
Other payables (including related parties)		551,031	-	-
Lease liabilities		128,220	92,510	320,352
Guarantee deposits received		302,840	-	-
Long-term borrowings		-	269,820	-

<u>Non-derivative</u>				
<u>financial liabilities:</u>			Between 1	
December 31, 2018		Less than 1 year	and 2 years	Over 2 years
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	-	-



- 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, notes receivable, accounts receivable (including related parties), other receivables (including related parties), financial assets at amortised cost, short-term loans, accounts payable (including related parties), other payables (including related parties), lease liabilities (including current and non-current), guarantee deposits received and long-term borrowings are approximate to their fair values.

- C. On December 31, 2019 and 2018, the Group had no financial and non-financial instruments measured at fair value.

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: None.

- 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 3.
- H. Receivables from related parties reaching TWD \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

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, 2019 and 2018, 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 before tax 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(18) for information on products and services.

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

(In thousands of CNY)

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 1,118,289	\$ 448,488	\$ 970,505	\$ 318,920
Others	31,708	53,229	34,260	31,125
	<u>\$ 1,149,997</u>	<u>\$ 501,717</u>	<u>\$ 1,004,765</u>	<u>\$ 350,045</u>

(In thousands of TWD)

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 4,997,187	\$ 1,930,741	\$ 4,422,397	\$ 1,426,210
Others	141,692	229,151	156,116	139,191
	<u>\$ 5,138,879</u>	<u>\$ 2,159,892</u>	<u>\$ 4,578,513</u>	<u>\$ 1,565,401</u>

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2019 and 2018.

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Loans to others

Year ended December 31, 2019

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 year	Ending balance	Amount actually drawn	Interest rate	Nature of loan (Note 2)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral Item Value		Financing limits for each company	Financing company's total financing amount limits	Footnote
1	Chlitina (China) Trade Limited	Wuguan (Shanghai) Trade Limited	Other receivables	Yes	\$ 91,600	\$ 86,100	\$ -	Lower 10% of loan market rate	2	\$ -	Operating capital	\$ -	None	-	\$ 3,843,466	\$ 3,843,466	Note 4, 5
2	Weishuo (Shanghai) Daily Product Limited	Wuguan (Shanghai) Trade Limited	Other receivables	Yes	91,600	86,100	21,525	Lower 10% of loan market rate	2	-	Operating capital	-	None	-	1,276,572	1,276,572	Note 4, 5

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 line of credit to Wuguan (Shanghai) Trade Limited amounted to CNY\$20,000.

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, 2019

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			Gain (loss) on disposal	Ending Balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
Weishuo (Shanghai) Daily Product Limited	ICBCCS Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	\$ -	295,000,000	\$ 1,318,237	295,000,000	\$ 1,320,338	\$ 1,318,237	\$ 2,101	-	\$ -
Weishuo (Shanghai) Daily Product Limited	Jun De-Li Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	63,956,000	285,794	63,956,000	286,148	285,794	354	-	-
Weishuo (Shanghai) Daily Product Limited	China Universal Cash Express Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	502,275,093	2,244,466	502,275,093	2,247,509	2,244,466	3,043	-	-
Chlitina (China) Trade Limited	ICBCCS Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	840,000,000	3,753,624	840,000,000	3,759,125	3,753,624	5,501	-	-
Chlitina (China) Trade Limited	GF Money Market Fund B	Financial assets at fair value through profit or loss-current	-	-	-	-	110,000,000	491,546	110,000,000	492,198	491,546	652	-	-
Chlitina (China) Trade Limited	China Universal Cash Express Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	472,094,337	2,109,601	472,094,337	2,111,892	2,109,601	2,291	-	-
Chlitina (China) Trade Limited	TianFu Money Market Fund B	Financial assets at fair value through profit or loss-current	-	-	-	-	222,088,000	992,422	222,088,000	993,753	992,422	1,331	-	-
Chlitina (China) Trade Limited	WanJia Money Market Fund A	Financial assets at fair value through profit or loss-current	-	-	-	-	151,406,000	676,573	151,406,000	677,450	676,573	877	-	-
Chlitina (China) Trade Limited	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	400,318,000	1,788,861	400,318,000	1,791,752	1,788,861	2,891	-	-

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, 2019

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		Number of shares	Disposal		Gain (loss) on disposal	Ending Balance	
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value		Number of shares	Amount
Chlitina (China) Trade Limited	Huabao Tianyi Fund	Financial assets at fair value through profit or loss-current	-	-	-	\$ -	100,000,000	\$ 446,860	100,000,000	\$ 447,469	\$ 446,860	\$ 609	-	\$ -
Chlitina (China) Trade Limited	ICBC Credit Suisse Salary Monetary Fund	Financial assets at fair value through profit or loss-current	-	-	-	-	990,000,000	4,423,914	990,000,000	4,430,904	4,423,914	6,990	-	-

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

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, 2019

Table 3

Expressed in thousands of TWD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	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	\$ 661,950	76%	60 days after monthly billings	-	-	(\$ 152,503)	95%	Note 1
British Virgin IS. Chlitina Intelligence Limited Taiwan Branch	Chlitina (China) Trade Limited	Subsidiary	Trademark licences	265,771	100%	Note 2	-	-	43,432	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, 2019

Table 4

Expressed in thousands of TWD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	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	\$ 152,503	4.82	\$ -	-	\$ 152,503	\$ -	Note

Note: Inter-company transactions between companies within the Group were eliminated.



CHLITINA HOLDING LIMITED AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2019

Table 5

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	\$ 661,950	60 days after monthly billings	13%
1	Weishuo (Shanghai) Daily Product Limited	Chlitina (China) Trade Limited	3	Accounts receivable	152,503	60 days after monthly billings	2%
1	Weishuo (Shanghai) Daily Product Limited	Wuguan (Shanghai) Trade Limited	3	Sales	27,178	60 days after monthly billings	1%
1	Weishuo (Shanghai) Daily Product Limited	Wuguan (Shanghai) Trade Limited	3	Other receivables	21,525	Loans	0%
2	British Virgin IS. Chlitina Intelligence Limited Taiwan Branch	Chlitina (China) Trade Limited	3	Trademark right income	265,771	In accordance with mutual agreements	5%
2	British Virgin IS. Chlitina Intelligence Limited Taiwan Branch	Chlitina (China) Trade Limited	3	Accounts receivable	43,432	In accordance with mutual agreements	1%
3	Hong Kong Chilitina International Limited	Weishuo (Shanghai) Daily Product Limited	3	Sales	46,185	60 days after monthly billings	1%
4	British Virgin Is. Chlitina Marketing Limited Taiwan Branch	Hong Kong Chlitina International Limited	3	Sales	44,060	60 days after monthly billings	1%

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, 2019

Table 6

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as at December 31, 2019			Net profit (loss) of the investee	Share of profit (loss) of investee	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Chlitina Holding Limited	Chlitina Group Limited	British Virgin Islands	Investing	\$ 604,294	\$ 665,908	1,916,707,348	100.00	\$ 6,145,012	\$ 1,471,709	\$ 1,471,709	
Chlitina Group Limited	Chlitina International Limited	British Virgin Islands	Investing	522,255	511,274	17,350,001	100.00	5,962,707	1,348,551	-	Note
Chlitina Group Limited	Chlitina Intelligence Limited	British Virgin Islands	Investing and researching	-	-	1	100.00	181,031	123,453	-	Note
Chlitina Group Limited	W-Amber International Limited	British Virgin Islands	Investing	50,880	50,880	1,150,000	100.00	190	( 91)	-	Note
Chlitina Group Limited	W-Champion International Limited	British Virgin Islands	Investing	34,518	34,518	930,000	100.00	66	( 91)	-	Note
Chlitina Group Limited	C-Asia International Limited	British Virgin Islands	Investing	920	920	20,000	100.00	210	( 44)	-	Note
Chlitina International Limited	Hong Kong Chlitina International Limited	Hong Kong	Investing and trading of skincare products	276,221	245,947	69,850,001	100.00	5,794,325	1,367,509	-	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	158,379	( 18,962)	-	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	60,492	( 2,884)	-	Note
Hong Kong Chilitina International Limited	Hong Kong W-Champion International Limited	Hong Kong	Investing	61,865	61,865	2,950,000	100.00	58,668	( 1,252)	-	Note

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Information on investees

Year ended December 31, 2019

Table 6

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as at December 31, 2019			Net profit (loss) of the investee	Share of profit (loss) of investee	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Hong Kong Chilitina International Limited	Hong Kong W-Amber International Limited	Hong Kong	Investing	\$ 467,107	\$ 327,025	97,400,000	100.00	\$ 313,363	(\$ 77,603)	\$ -	Note
Hong Kong Chilitina International Limited	Yong Li Trading Company Limited	Vietnam	Dealer of skincare products	17,373	-	-	100.00	14,641	( 1,425)	-	Note
Hong Kong Chilitina International Limited	HUAPAO SDN. BHD.	Malaysia	Dealer of skincare products	3,502	-	500,000	100.00	3,398	( 121)	-	Note
Hong Kong W-Amber International Limited	Hong Kong Crystal International Services Limited	Hong Kong	Investing, dealer of skincare and supplementary health care products	3,050	-	100,000	100.00	2,918	( 101)	-	Note
W-Champion International Limited	W-Champion Marketing Limited	British Virgin Islands	Investing	31,783	31,783	930,000	100.00	66	( 91)	-	Note
W-Amber International Limited	W-Amber Marketing Limited	British Virgin Islands	Investing	56,280	56,280	1,150,000	100.00	152	( 92)	-	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, 2019

Table 7

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 period		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, 2019	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	\$ -	\$ -	\$ -	\$ -	\$ 1,387,861	100.00	\$ 1,387,861	\$ 384,466	\$ -	
Shanghai Zhe Mei Technology Training Co., Ltd.	Cosmetology training services	69,566	2	-	-	-	-	( 11,650)	100.00	( 11,650)	48,595	-	
Weishuo (Shanghai) Daily Product Limited	Production and trading of skincare products	64,207	2	-	-	-	-	81,000	100.00	81,000	1,276,572	-	
Weihsu (Shanghai) Trade Limited	Investing, dealer of skincare and supplementary health care products	486,103	2	-	-	-	-	( 77,430)	100.00	( 77,430)	280,269	-	
Crystal Asia Shanghai Limited	Dealer of skincare products and supplementary health care products	31,262	2	-	-	-	-	( 5)	100.00	( 5)	29,349	-	
Li Shuo Biotechnology (Shanghai) Co., Ltd.	Investing	6,406	2	-	-	-	-	( 2)	100.00	( 2)	6,240	-	
Wuguan (Shanghai) Trade Limited	Dealer of skincare products and supplementary health care products	64,193	2	-	-	-	-	( 1,121)	100.00	( 1,121)	29,133	-	

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

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 period		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, 2019	Accumulated amount of investment income remitted back to Taiwan	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai Yuanshuo Management Consulting Limited	Enterprise management consulting	\$ 316,564	2	\$ -	\$ -	\$ -	\$ -	(\$ 35,715)	100.00	(\$ 35,715)	\$ 227,978	\$ -	
Beijing YaPulide Medical Beauty Treatment Clinic Co., Ltd.	Medical cosmetology services	86,554	2	-	-	-	-	( 20,408)	100.00	( 20,408)	44,383	-	Note 5
Shanghai Yapu Medical Beauty Treatment Clinic Co., Ltd	Medical cosmetology services	13,046	2	-	-	-	-	( 11)	100	( 11)	12,904	-	
Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd.	Medical Cosmetology services	43,374	2	-	-	-	-	( 794)	100.00	( 794)	42,285	-	
Shanghai Lunxin Medical Beauty Clinic Co., Ltd.	Medical Cosmetology services	13,012	2	-	-	-	-	( 1)	100.00	( 1)	12,914	-	
Jinghe Clinic (Nanjing) Co., Ltd	Medical Cosmetology services	87	2	-	-	-	-	( 2)	100.00	( 2)	84	-	
He Deng Clinic (Shanghai) Co., Ltd	Medical Cosmetology services	87	2	-	-	-	-	-	100.00	-	86	-	
Cui Jei (Shanghai) Trading Co. Ltd.	Dealer of health food and daily necessities	6,055	2	-	-	-	-	( 16)	100.00	( 16)	5,736	-	

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

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 period		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, 2019	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	-	-	-	-	( 8,584)	30.00	( 2,574)	19,558	-	
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 were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B.The financial statements were 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.

**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 status and financial performance and risk issues**

**I Financial status**

Unit: NTD 1,000

Item	Year	2018	2019	Difference		Analysis of changes
				Amount	%	
Current Assets		4,768,842	5,944,434	1,175,592	25	1
Real estate, plant and equipment		1,363,566	1,367,720	4,154	0	-
Other assets		255,933	841,809	585,876	229	2
Total assets		6,388,341	8,153,963	1,765,622	28	1
Current Liabilities		2,245,959	3,110,733	864,774	39	2
Non-current liabilities		28,831	661,429	632,598	2,194	2
Total liabilities		2,274,790	3,772,162	1,497,372	66	2
Capital stock		794,924	794,924	0	0	-
Additional paid-in capital		1,351,932	1,351,932	0	0	-
Retained earnings		2,306,734	2,784,904	478,170	21	3
Other equities		(340,039)	(549,959)	(209,920)	62	4
Total shareholders' equity		4,113,551	4,381,801	268,250	7	-
<p>Note to the increase (decrease) analysis: (the change is more than 10%, and the difference reaches 1% of the total assets of that year);</p> <ol style="list-style-type: none"> <li>Increase in current assets: Mainly due to the increase in net cash inflow from operating activities.</li> <li>Increase in other assets and liabilities: Mainly due to the increase in relevant amount resulted by the reflecting of lease contracts in the user right-associated assets and lease liabilities in compliance with IFRS16 since 2019.</li> <li>Increase in retained earnings: Mainly due mainly to the increased profit.</li> <li>Decrease in other equities: Due to the changes in foreign exchange rate.</li> </ol> <p>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.</p>						

## II Financial performance

### (I) Analysis of changes in operating outcome

Unit: NTD 1,000

Year	2018	2019	Increase (decrease) amount	Ratio of changes (%)	Analysis of changes
Item					
Operating revenues	4,578,513	5,138,879	560,366	12	1
Operating costs	799,759	818,411	18,652	2	-
Gross profit	3,778,754	4,320,468	541,714	14	2
Operating profit and loss	1,562,668	1,789,074	226,406	14	3
Non-operating revenues and expenses	105,877	193,178	87,301	82	4
Pretax income	1,668,545	1,982,252	313,707	19	5
Continuing departments net income before tax	1,668,545	1,982,252	313,707	19	5
Current net profit (loss)	1,218,880	1,432,163	213,283	17	5
Other consolidated income (net after tax) - current period	(82,443)	(210,005)	(127,562)	155	6
Total consolidated income – current period	1,136,437	1,222,158	85,721	8	-
Net profit attributable to the owner of parent	1,218,880	1,432,163	213,283	17	5
Net profit attributable to uncontrolled equity	-	-	-	-	-
Net profit from total consolidated profit/loss attributable to the owner of parent	1,136,437	1,222,158	85,721	8	-
Total consolidated income attributable to uncontrolled equity	-	-	-	-	-
<p>Note to the increase (decrease) analysis: (the change is more than 10%, and the difference reaches 1% of the total assets of that year);</p> <ol style="list-style-type: none"> <li>1. Increase in operating revenues: Mainly due to business expansion and a strong business operations foundation across the distribution channels.</li> <li>2. Increase in operating gross profit: Mainly due to the increase in operating revenues and changes in product structure.</li> <li>3. Increase in operating profit and loss: Mainly due to the increase in gross profit.</li> <li>4. Increase in non-operating income and expense: Mainly due to the increase in the foreign exchange gain and obtaining of the government subsidies.</li> <li>5. Increase in net profit before tax and current net profit: Mainly due to the increase in gross profit and operating profit and loss.</li> <li>6. Decrease in other consolidated income in current period: Mainly due to the change in the exchange rate.</li> </ol>					

### (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 (2019)

Unit: NTD 1,000

Item \ Year	2018	2019	Changes in increase (decrease)	
			Amount	%
Net cash flows from operating activities	1,316,502	1,833,543	517,041	39
Net cash flows from investing activities	(531,989)	17,843	549,832	(103)
Net cash flows from financing activities	(218,846)	(89,978)	128,868	(59)

(1) Net cash flows from operating activities: Mainly due to the increase in net profit before tax of the Company for year 2019.

(2) Net cash flows from financing activities: Mainly because there was no large cash outflow in the current year.

(3) Net cash flows from financing activities: Mainly due to the increase in short-term loans with the dividend payment.

(II) Plan for improving the liquidity shortage:

Since the cash flows from operating activities in 2019 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 (2020)

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
5,564,484	1,521,280	-1,630,552	5,455,212	-	-

1. Analysis on the changes in cash flow of the current year (in the coming year)

(1) Operating activities: It is estimated that the net cash inflows are mainly due to the

<p>continuous increase in the 2020 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 loan interest payment and distribution of cash dividends.</p> <p>2. Analysis of liquidity and corrective measures against projected insufficient cash position: Not applicable.</p>
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#### IV Major capital expenditures in the most recent year

(I) Major capital expenditures and their usage: None.

(II) Expected benefits: None.

#### 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: NTD 1,000; December 31, 2019

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.	604,294	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.	522,255	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	British	Investment	34,518	Holding	None	None

International Limited	Virgin IS.	holdings.		company's losses comes from the subsidiaries		
C-Asia International Limited	British Virgin IS.	Investment holdings.	920	No actual operating activities	None	None
Centre de Recherche et de Developpement de 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	276,221	Sale of own brand products and investment income of subsidiaries	None	None
Chlitina Marketing Limited	British Virgin IS.	Investment holding and marketing of skincare products	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 C-Asia International 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.	467,107	Holding company's losses comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
W-Champion Marketing Limited	British Virgin IS.	Investment holdings.	31,783	No actual operating activities	None	None
Yong Li Trading Company Limited	Vietnam	Marketing of skin-care products	17,373	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None
HUAPAO SDN. BHD.	Malaysia	Marketing of skin-care products	3,502	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None
Hong Kong C-Asia	Hong Kong	Investment holding,	3,050	No actual operating	None	None

International Limited		marketing of skincare products, and health food products		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
Shanghai Zhemei Vocational Training Co., Ltd.	Mainland China	Beauty practitioners training service	69,566	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	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	486,103	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	31,262	No actual distribution marketing business	None	None
Lishuo Biotechnology (Shanghai) Co., Ltd.	Mainland China	Investment holdings.	6,406	Holding company's losses comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
Shanghai Yuanshuo Management Consulting Limited	Mainland China	Enterprise management consulting and investment holdings	316,564	Holding company's losses comes from the subsidiaries	Ask the subsidiaries to improve the operation and raise the profits.	None
Beijing Yapulide Medical Cosmetology	Mainland China	Medical cosmetology service	86,554	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None

Clinic Limited (Changed from Beijing Aobaojia Medical Cosmetology CliniLimited)						
Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd. (Changed from Shanghai Aobaojia Medical Beauty Treatment Clinic Co., Ltd.)	Mainland China	Medical cosmetology service	13,046	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None
Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. (Changed from Aobaojia Medical Beauty Treatment Clinic (Nanjing) Co., Ltd.)	Mainland China	Medical cosmetology service	43,374	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None
Shanghai Lunxin Medical Beauty Treatment Clinic Co., Ltd.	Mainland China	Medical cosmetology service	13,012	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None
Jinghe Clinic (Nanjing) Co., Ltd.	Mainland China	Medical cosmetology service	87	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None
Hedeng Clinic (Shanghai ) Co., Ltd.	Mainland China	Medical cosmetology service	87	The operation has not reached the scale economy.	Strengthen the business expansion of the Company.	None
Cui Jie (Shanghai) Trading Co., Ltd.	Mainland China	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.
- 4) 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 shareholders meetings. Such company shall hold meetings of shareholders and the board of directors as stipulated in the Articles of Incorporation, which may not necessarily be held in Cayman Islands. According to the Articles of Incorporation (“Articles of Incorporation of the listed company”) of the Company passed through resolutions of the shareholders 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 Incorporation of the listed company also stipulate that during the stock listing period, the shareholders 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 Incorporation 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 Incorporation 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 Incorporation 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 Incorporation 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 Corporation, 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 Incorporation according to relevant laws of the Republic of China to secure the shareholders'



rights. As for the matters uncovered in the Articles of Incorporation, 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 the exercise and guarantee of shareholders' rights vary from the Chinese laws. The investors shall carefully read the annual reports and Articles of Incorporation of a company to know the capital increase and reduction procedures, disposal of the shares obtained, restrictions on equity transfer, notification period of a shareholders meeting, attendance to the shareholders 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 the 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 operations: 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 Act 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 or not 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 operations: 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 eastside 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 company 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\$ 10,000. 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. Risks of foreign exchange control, taxes and relevant legal

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 of 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 or not the rights covered by the decision belong to private rights or not;
- 2) Whether or not such decision complies with the needs of judicial interests, common knowledge and legal order or not;
- 3) Whether or not the acknowledgment of such decision will impair the sovereign interests or leads to violation of other public policies;
- 4) Whether or not the decision complies with the common law principles, including but not limited to: (i) whether or not such decision is valid and final; (ii) whether or not 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 or not the decision made by the HK court can resolve the disputable event.

(4) Main country of operations: 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, 2020, the GDP of 2017 was RMB 82,712.2 billion, up by 6.9% as compared with 2016; the GDP of 2018 was RMB 90,030.9 billion, up by 6.6% as compared with 2017; the GDP of 2019 was RMB 99,086.5 billion, up by 6.1% as compared with 2018. 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. Risks of foreign exchange control, taxes and relevant legal

(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 21, 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 1, 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 16, 2007, China promulgated the “Law of the People's Republic of China on Enterprise Income Tax.” On December 6, 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 1, 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 1, 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 1, 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 1, 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 1, 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 1, 2010 and implemented on February 1, 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 22, 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 3, 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.

## (F) 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.

(G) 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.

#### (H) Dividends 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 2017, 2018 and 2019 was NTD 51,205,000, NTD 55,539,000 and 65,572,000 respectively, and each amount accounts for the ratio of net operating revenue 1.56%, 1.21% and 1.28%, respectively. The respective interest expenses of 2017, 2018 and 2019 were NTD 17,277,000, NTD 29,168,000 and NTD 58,190,000 respectively with the respective net operating income ratio of 0.53%, 0.64% and 1.13%. These are not high ratios, therefore the impact of changes in interest rate 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. The respective exchange losses in 2017 and 2018 was NTD 26,348,000, NTD 17,617,000 respectively while the exchange gain in 2019 was NTD 57,328,000, and they accounted for a low impact ratio, -2.18%, -3.28% and 4.00% 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. Extending the professional market channel to e-commerce, the Company has continued to research and develop a series of products featuring "trendy," "highly-effective" and "instant" qualities. Different products launched through different channels can satisfy the needs of different consumers for personalized skincare and healthy lifestyles to the greatest extent. In recent years, the Company set foot in the aesthetic medicine channels and works with Tongji University to study the regenerative medicine and anti-aging medicine items to build a beauty industrial chain with big health.

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 2017, 2018 and 2019 were NTD 10,203,000, NTD 21,936,000 and NTD 27,724,000 respectively and each accounted for 0.31%, 0.48% and 0.54% respectively of the current annual revenue. The company’s main R&D center is located in the Chlitina Intellectual Property Limited Taiwan Branch, and the R&D personnel for technology transfer and process improvement are working in the Songjiang 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 2020 are expected to account for about 1% of the 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.

(1) The company acquired 100% of the Shanghai Zhemei Vocational and Technical Training Co., Ltd. (Germès) for RMB4 million in September 2019.

Expected profits: A. Incorporate training resources into the group in order to enhance overall brand value; B. Increase control on service quality at franchise stores.

Possible risks: Investment return might not meet expectations.

Countermeasures: Improve subsidiary's business, financial management and planning.

(2) In April 2019, the company acquired 100% of Yongli Trading Co., Ltd. for approximately NT\$273,000, and subsequently increased its investment to NT\$17,373,000.

Expected benefits: A. Expand market coverage to new regions, increase sales of company products and enhance overall brand value; B. Increase development of franchise network in Vietnam.

Possible risks: Investment return might not meet expectations.

Countermeasures: Financial, business and administration management at the subsidiary should be conducted according to existing company internal management procedures, and consultation with local lawyers and accountants should help ensure compliance with local regulations.

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% in 2018. 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 2018 and 2019 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 2019 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 3, 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 two 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 materials 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 interest 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 Incorporation 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) Risk of information security

To secure the Company's information security and high system availability, the Company continues the development related to information security by establishing the internal information security group and gradually establishing a information security system in accordance with the requirements of ISO/IEC 27001:2005 "Information Security Management System Requirements" and ISO/IEC 17799:2005 "Code of Practice for Information Security Management." In addition to the established internal control system of the information management cycle, the Company continues to issue documents of the software and hardware management method related to information security to meet the varied business types and diversified transaction mode based on the consideration of information security risks and management needs. The IT Department and Audit Department of the Company also conducts regular audits and spot checks for the relevant implementation of the information security systems to minimize the potentiality of information security risks.

The B2B "Chlitina Mall" and B2C "New Beauty Mall" developed by the Company is the main sales electronic channel of the Company's e-commerce. To ensure the customer information without any data breach and reduce the risk of electronic transactions, the Company applied for the <Information Security Grade Evaluation> in 2019. After strict testing by specified evaluation institution, the Company finally passed and received the <Certificate of Information Security Graded Protection III> after the existing risks discovered were timely improved and corrected. The Company also conducts double check and improvement measures to ensure the information security and strives to obtain the graded protection certificate in 2020 at the same time.

To protect the safety of the Company's information and assets and ensure the continuity of the business, the Company plans to renew softwares and upgrade systems regarding the network security prevention, data backup and recovery and network access within 3 years to reach the following purposes:

1. Internet security: From network access to network frontiers to terminal server system, achieving precise management of network access and data usage permission, issuing warnings and monitoring security risks for a comprehensive protection capability.
2. Data backup and recovery: Establishing a unified platform for data backup, disaster mitigation, and recovery, in order to address hardware or software damage, whether man-made or not, controllable or not. Ensure reliable data backup and business continuity in the best way possible.

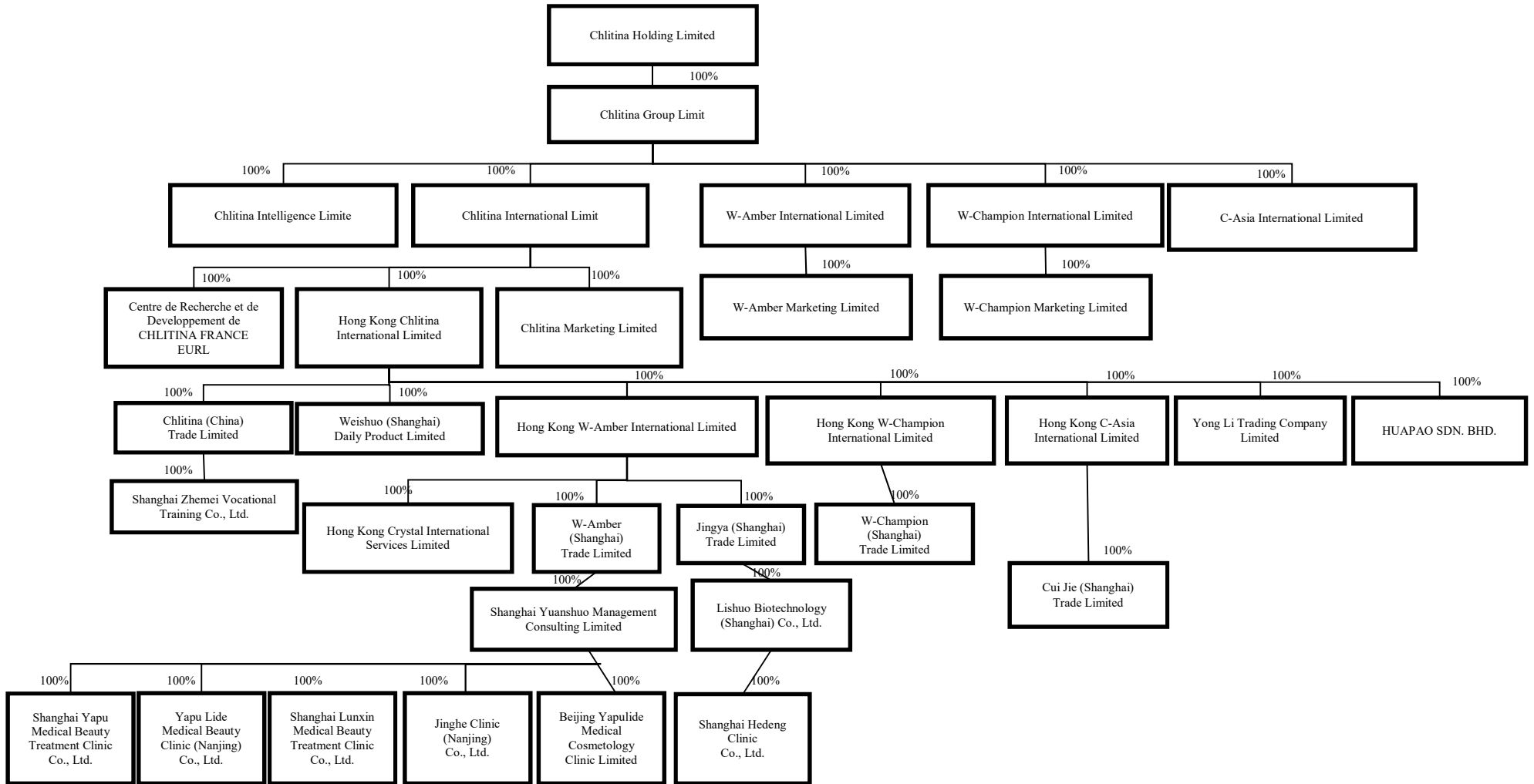
## **VII Other Significant Events: None.**

### **Eight. Special items**

#### **I Information on Affiliates:**

##### **1. Organizational chart of affiliates**

**December 31, 201**



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, 2019

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 (NTD) (Note)	Shareholding ratio	Number of shares (shares)	Investment amount (NTD)
Chlitina Group Limited	Subsidiary	100%	1,916,707,348	USD 19,167,074	-	-	-
Chlitina International Limited	sub-subsidiary	100%	17,350,001	USD 17,350,001	-	-	-
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	-	-	-
C-Asia International Limited	sub-subsidiary	100%	20,000	USD 20,000	-	-	-
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	Third-tier subsidiary	100%	500	EUR 5,000	-	-	-
Hong Kong Chlitina International Limited	Third-tier subsidiary	100%	69,850,001	HK\$ 69,850,001	-	-	-
Chlitina Marketing Limited	Third-tier subsidiary	100%	11,622,882	USD 11,622,882	-	-	-
Hong Kong C-Asia International 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 (NTD) (Note)	Shareholding ratio	Number of shares (shares)	Investment amount (NTD)
Hong Kong W-Amber International Limited	Fourth-tier subsidiary	100%	97,400,000	HK\$ 92,800,000+ USD4,600,000	-	-	-
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	-	-	-
Yong Li Trading Company Limited	Fourth-tier subsidiary	100%	Limited companies, no shares and face amount	VND 226,000,000+ USD 620,000			
HUAPAO SDN. BHD.	Fourth-tier subsidiary	100%	500,000	MYR 500,010			
Hong Kong C-Asia International Limited	Fifth-tier subsidiary	100%	100,000	USD 100,000			
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	-	-	-
W-Amber (Shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 15,400,000	-	-	-
Jingya (Shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 1,000,000	-	-	-
W-Champion (Shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 2,000,000	-	-	-

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 (NTD) (Note)	Shareholding ratio	Number of shares (shares)	Investment amount (NTD)
Shanghai Yuanshuo Management Consulting Limited	Sixth-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 71,000,000	-	-	-
Beijing Yapulide Medical Cosmetology Clinic Limited (Changed from Beijing Aobaojia Medical Cosmetology Clinic Limited)	Seventh-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 19,000,000	-	-	-
Cui Jie (Shanghai) Trading Co., Ltd.	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	USD 200,000			
Shanghai Zhemei Vocational Training Co., Ltd.	Fifth-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 14,000,000			
Lishuo Biotechnology (Shanghai) Co., Ltd.	Sixth-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 1,450,000			
Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd. (Changed from Shanghai Aobaojia Medical Beauty Treatment Clinic Co., Ltd.)	Seventh-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 3,000,000			
Hedeng Clinic (Shanghai ) Co., Ltd.	Seventh-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 20,000			
Shanghai Lunxin Medical Beauty Treatment Clinic Co., Ltd.	Seventh-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 3,000,000			
Jinghe Clinic (Nanjing) Co., Ltd.	Seventh-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 20,000			

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 (NTD) (Note)	Shareholding ratio	Number of shares (shares)	Investment amount (NTD)
Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. (Changed from Aobaojia Medical Beauty Treatment Clinic (Nanjing) Co., Ltd.)	Seventh-tier subsidiary	100%	Limited companies, no shares and face amount	RMB 10,000,000			

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 company.
- ( 4 ) The main business items of the Centre de Recherche et de Developpement de Chlitina France Eurl. is the research and development of cosmetic skincare products.
- ( 5 ) Hong Kong Chlitina International Limited is an investment holding company, whose main business item is the marketing of skincare products.
- ( 6 ) Chlitina Marketing Limited is an investment holding company, whose main business item is the marketing of skincare products.
- ( 7 ) W-Amber Marketing Limited, W-Champion Marketing Limited and C-Asia International Limited are no actual operations at present.
- ( 8 ) The main business item of the Yong Li Trading Company Limited is the marketing of skincare products.
- ( 9 ) The main business item of HUAPAO SDN. BHD. is the marketing of skincare products.
- ( 10 ) The main business items of Hong Kong C-Asia International Limited are investment holding and the marketing and distribution of skincare products and health food.
- ( 11 ) The main business items of Chlitina (China) Trade Limited are the marketing and distribution of skincare products and health products distribution.
- ( 12 ) The main business item of Shanghai Zhemei Vocational Training Co., Ltd. is the beauty practitioners training service.
- ( 13 ) The main business items of W-Amber (Shanghai) Daily Product Limited are the production and marketing of skincare products.
- ( 14 ) Hong Kong W-Amber International Limited, Hong Kong C-Asia International Limited and Hong Kong W-Champion International Limited are investment holding companies.

- ( 15 ) The main business items of W-Amber (Shanghai) Trade Limited are investment holding, marketing and distribution of skincare products and health food.
- ( 16 ) The main business items of Jingya (shanghai) Trade Limited are the marketing and distribution of skincare products and health food.
- ( 17 ) The main business items of W-Champion (Shanghai) Trade Limited are marketing and distribution of skincare products and health food.
- ( 18 ) The main business items of Shanghai Yuanshuo Management Consulting Limited are investment holdings and enterprise management consulting.
- ( 19 ) The main business item of Beijing Beijing Yapulide Medical Cosmetology Clinic Limited is medical cosmetology services.
- ( 20 ) The main items of operations of Cui Jie (Shanghai) Trading Co., Ltd. are the marketing and distribution of health food and daily commodities.
- ( 21 ) The main business items of Lishuo Biotechnology (Shanghai) Co., Ltd. are investment holdings and enterprise management consulting.
- ( 22 ) The main business item of S Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd., Hedeng Clinic (Shanghai) Co., Ltd., Shanghai Lunxin Medical Beauty Treatment Clinic Co., Ltd., Jinghe Clinic (Nanjing) Co., Ltd. and Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. is the medical cosmetology service.

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, 2019

Company name	Title	Name of individual or representative(s)	Shares held	
			Number of shares (shares)	Holding ratio (%)
Chlitina Group Limited	Director	Chen, Pi-Hua	1,916,707,348	100.00
Chlitina International Limited	Director	Chen, Pi-Hua	17,350,001	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
C-Asia International Limited	Director	Chen, Pi-Hu	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	69,850,001	100.00



Chlitina Marketing Limited	Director	Chen, Pi-Hua	11,622,882	100.00
Hong Kong C-Asia International 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	97,400,000	100.00
W-Amber Marketing Limited	Director	Chen, Pi-Hua	1,150,000	100.00
W-Champion Marketing Limited	Director	Pi-Hua Joanna Chen	930,000	100.00
Yong Li Trading Company Limited	Director	Chen, Pi-Hua	Note	100.00
HUAPAO SDN. BHD.	Director	Chen, Pi-Hua Chen, Pei-Wen	500,000	100.00
Hong Kong C-Asia International Limited	Director	Chen, Pi-Hua	100,000	100.00
Chlitina (China) Trade Limited	Executive director/General manager Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
Shanghai Zhemei Vocational Training Co., Ltd.	Executive director/General manager Supervisor	Chao, Chen-Yu Chen, Chao-Ching	Note	100.00
Weishuo (Shanghai) Daily Product Limited	Executive Director Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
W-Amber (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
W-Champion (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, Chen-Yu	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
Cui Jie (Shanghai) Trading Co., Ltd.	Executive director/General	Chen, Pi-Hua	Note	100.00

	manager Supervisor	Chao, Chen-Yu		
Lishuo Biotechnology (Shanghai) Co., Ltd.	Executive Director Supervisor	Chen, Pi-Hua CheChao-Ching	Note	100.00
Shanghai Hedeng Clinic Co., Ltd.	Executive director/General manager Supervisor	Li Liang Chao, Cheng-You	Note	100.00
Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd. (Changed from Shanghai Aobaojia Medical Beauty Treatment Clinic Co., Ltd.)	Executive Director Supervisor	Chen, Pi-Hua Chao, Chen-Yu	Note	100.00
Shanghai Lunxin Medical Beauty Treatment Clinic Co., Ltd.	Executive Director Supervisor	Li Liang Chao, Chen-Yu	Note	100.00
Jinghe Clinic (Nanjing) Co., Ltd.	Executive Director Supervisor	Chiu Yen Hsu, Zhen-Qiong	Note	100.00
Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. (Changed from Aobaojia Medical Beauty Treatment Clinic (Nanjing) Co., Ltd.)	Executive Director Supervisor	Chiu Yen Hsu, Zhen-Qiong	Note	100.00

Note: Limited company, no shares issuance.

#### 4. Operating profile of affiliated companies

December 31, 2019

Invested enterprise	Main Operations	Invested capital (Note 1)	Investment shares		Net value of shares rights (thousand)	Market price (Note 3)	Accounting method	ROI of 2019		Amount of company shares held
			Number of shares (shares)	Shareholding ratio %				Investment gains and losses (thousand)	dividend distribution (thousand)	
Chlitina Group Limited	Investment holdings	USD 19,167,074	1,916,707,348	100.00	6,145,012	-	Equity method	1,471,709	USD 2,800,000	None
Chlitina International Limited	Investment holdings	USD 17,350,001	17,350,001	100.00	5,962,707	-	Equity method	1,348,551	-	None
Chlitina Intelligence Limited	Investment holdings	USD 1	1	100.00	181,031	-	Equity method	123,453	USD 3,150,000	None

W-Amber International Limited	Investment holdings	USD 1,150,000	1,150,000	100.00	190	-	Equity method	(91)	-	None
W-Champion International Limited	Investment holdings	USD 930,000	930,000	100.00	66	-	Equity method	(91)	-	None
C-Asia International Limited	Investment holdings	USD 20,000	20,000	100.00	210	-	Equity method	(44)	-	None
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	Cosmetic skincare products R&D	EUR 5,000	500	100.00	-	-	Equity method	-	-	None
Hong Kong Chlitina International Limited	Investment holding and marketing of skincare products	HK\$ 69,850,001	69,850,001	100.00	5,794,325	-	Equity method	1,367,509	-	None
Chlitina Marketing Limited	Investment holding and marketing of skincare products	USD 11,622,882	11,622,882	100.00	158,379	-	Equity method	(18,962)	-	None
Hong Kong C-Asia International Limited	Investment holdings	USD 2,300,000	2,300,000	100.00	60,492	-	Equity method	(2,884)	-	None
Hong Kong W-Champion International Limited	Investment holdings	USD 2,950,000	2,950,000	100.00	58,668	-	Equity method	(1,252)	-	None
Hong Kong W-Amber International	Investment holdings	HK\$ 92,800,000 + USD 4,600,000	97,400,000	100.00	313,363	-	Equity method	(77,603)	-	None

nal Limited										
W-Amber Marketing Limited	Investment holdings	USD 1,150,000	1,150,000	100.00	152	-	Equity method	(92)	-	None
W-Champion Marketing Limited	Investment holdings	USD 930,000	930,000	100.00	66	-	Equity method	(91)	-	None
Yong Li Trading Company Limited	Marketing of skin-care products	VND 226,000,000+ USD 620,000	Note 2	100.00	14,641		Equity method	(1,425)	-	None
HUAPAO SDN. BHD.	Marketing of skin-care products	MYR 500,010	500,000	100.00	3,398		Equity method	(121)	-	None
Hong Kong C-Asia International Limited	Investment holding, marketing of skincare products and health food products	USD 100,000	100,000	100.00	2,918		Equity method	(101)	-	None
Chlitina (China) Trade Limited	Marketing of skincare products and health food products	USD 8,570,000	Note 2	100.00	3,843,466	-	Equity method	1,387,861	RMB 78,000,000	None
Shanghai Zhemei Vocational Training Co., Ltd.	Beauty practitioners training service	RMB 14,000,000	Note 2	100.00	48,595	-	Equity method	(11,650)	-	None
Weishuo (Shanghai) Daily Product Limited	Production and marketing of skincare products	USD 2,150,000	Note 2	100.00	1,276,572	-	Equity method	81,000	-	None
W-Amber (Shanghai) Trade Limited	Investment holding, marketing of skincare products	USD 15,400,000	Note 2	100.00	280,269	-	Equity method	(77,430)	-	None

	and health food products									
Jingya (Shanghai) Trade Limited	Marketing of skincare products and health food products	USD 10,000,000	Note 2	100.00	29,349	-	Equity method	(5)	-	None
W-Champion (Shanghai) Trade Limited	Marketing of skincare products and health food products	USD 2,000,000	Note 2	100.00	29,133	-	Equity method	(1,121)	-	None
Shanghai Yuanshuo Management Consulting Limited	Enterprise management consulting and investment holdings	RMB 71,000,000	Note 2	100.00	227,978	-	Equity method	(35,715)	-	None
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	44,383	-	Equity method	(20,408)	-	None
Cui Jie (Shanghai) Trading Co., Ltd.	Health products and daily necessities distribution	USD 200,000	Note 2	100.00	5,736	-	Equity method	(16)	-	None
Lishuo Biotechnology (Shanghai) Co., Ltd.	Enterprise management consulting and investm	RMB 1,450,000	Note 2	100.00	6,240	-	Equity method	(2)	-	None

	ent holdings									
Shanghai Hedeng Clinic Co., Ltd.	Medical cosmetology service	RMB 20,000	Note 2	100.00	86	-	Equity method	-	-	None
Shanghai Yapu Medical Beauty Treatment Clinic Co.,Ltd. (Changed from Shanghai Aobaojia Medical Beauty Treatment Clinic Co., Ltd.)	Medical cosmetology service	RMB 3,000,000	Note 2	100.00	12,904	-	Equity method	(11)	-	None
Shanghai Lunxin Medical Beauty Treatment Clinic Co., Ltd.	Medical cosmetology service	RMB 3,000,000	Note 2	100.00	12,914	-	Equity method	(1)	-	None
Jinghe Clinic (Nanjing) Co., Ltd.	Medical cosmetology service	RMB 20,000	Note 2	100.00	84	-	Equity method	(2)	-	None
Yapu Lide Medical Beauty Clinic (Nanjing) Co., Ltd. (Changed from Aobaojia Medical Beauty Treatment Clinic (Nanjing) Co., Ltd.)	Medical cosmetology service	RMB 10,000,000	Note 2	100.00	42,285	-	Equity method	(794)	-	None

Note1: 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 (2019) 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 (2019) 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 on December 25, 2019 by the 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 Incorporation and the protections to shareholders’ equities due to the Cayman laws, and the provisions of the Articles of Incorporation of the Company.

Differences	Cayman laws and notes	Provisions of the Articles of Incorporation 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 shareholders 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"> <li>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.</li> <li>2. Article 31 and 2 (1) of the Articles of Incorporation of the Company stipulates that the term “special resolution” means</li> </ol>



Differences	Cayman laws and notes	Provisions of the Articles of Incorporation and notes
		<p>the resolution adopted at the shareholders meeting attended by shareholders representing by over half of the voting shares issued by 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"> <li>1. Where a company reduces its capital not according to resolutions of the shareholders meeting, the company may not reduce its shares; the capital reduction shall be done in proportion to the shares held by shareholders.</li> <li>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 shareholders meetings, and consent of the shareholder receiving such property.</li> <li>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</li> </ol>	<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 shareholders 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 Incorporation. After confirming with lawyers in Cayman Islands, Article 18-1 of the Articles of Incorporation 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>

<b>Differences</b>	<b>Cayman laws and notes</b>	<b>Provisions of the Articles of Incorporation and notes</b>
<p>to the shareholders meeting.</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 shareholders 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 Incorporation. According to Article 26(1) of the Articles of Incorporation 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 request may hold the shareholders meetings independently. The aforesaid Article 26(1) of the Articles of Incorporation complies with the provision on the most left column, that is, when the board of directors fails to issue notices for convention of a shareholders meeting according to the written request, the</p>

Differences	Cayman laws and notes	Provisions of the Articles of Incorporation and notes
		shareholder filing such request may hold the shareholders meeting without consent of competent authority.
<p>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.</p>	<p>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 shareholders meeting personally", and shall be deemed as having appointed the Chairperson of the shareholders meeting as the proxy.</p>	<p>Article 46 of the Articles of Incorporation of the Company stipulates that shareholders exercising the voting power in writing or electronically shall be deemed as having appointed the Chairperson of the shareholders 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.</p>
<p>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 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>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 47(2) of the Company's Articles of Incorporation, any shareholder failing to withdraw the power of attorney and attending the shareholders meetings personally, in principle, shall still have the right to attend the shareholders 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</p>

Differences	Cayman laws and notes	Provisions of the Articles of Incorporation and notes
		two vary from each other in the effect of overdue cancellation, but have no material difference in the protection of shareholders' interests.
<p>Relevant provisions of the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public 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 Incorporation, which is applicable to the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies." Therefore, according to Article 57 of the Company's Articles of Incorporation, the use and solicitation of the power of attorney shall be handled according to the Cayman laws and the listing (OTC) provisions, especially the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies," has already complied with the contents stipulated in the most left column.</p>
<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</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 Incorporation, any shareholder failing to withdraw the power of attorney and attending the shareholders meetings personally, in</p>

<b>Differences</b>	<b>Cayman laws and notes</b>	<b>Provisions of the Articles of Incorporation and notes</b>
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.		principle, shall still have the right to attend the shareholders 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.
Regulations related to the supervisor.	The Company Law of the Cayman Islands does not have such provisions.	The Company has not set a supervisor, therefore there is no specific regulations regarding the supervisor. According to Article 85(1) and (2) of the Articles of Incorporation of the Company, the Company shall set the audit committee during the listing period. Thus, the Company has set the audit committee as stipulated previously, which complies with the provisions in the most left column.
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)	The Company Law of the Cayman Islands does not have such provisions.	According to Article 38(b) and (e) of the Company's Articles of Incorporation and Article 38(t) proposed to be added to the Articles of Incorporation in 2020, where the Company intends to attend a combination, categorical assignment, equity transfer or

<b>Differences</b>	<b>Cayman laws and notes</b>	<b>Provisions of the Articles of Incorporation and notes</b>
<p>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>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"> <li>1. The delisting of a first listed company due to M&amp;A can be divided into three cases, namely, (1) delisting for merger with other listed or OTC company; (2) applying for listing termination and (3) 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.</li> <li>2. According to Paragraph 1, Article 145 of the Securities Exchange Act, the issuer of listed securities shall apply for the listing termination as stipulated in the listing contract; the Stock Exchange will develop the “Procedures of Taiwan Stock Exchange Corporation for Listed</li> </ol>

Differences	Cayman laws and notes	Provisions of the Articles of Incorporation and notes
		<p>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 resolved by the board of directors before submitting to the shareholders meeting for resolution; moreover, the resolution of the shareholders meeting shall be subject to the consent of shareholders’ holding 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>
<p>1. When resolving one of the following items at the shareholders meeting, the dissenting shareholder of the Company shall have the appraisal right: (1) Split, consolidation, acquisition, or equity transfer of the Company;</p>	<p>The Cayman lawyer specified that when consolidation is made according to the Company Law of the Cayman Islands, the shares of the dissenting shareholders will be canceled after the completion of consolidation. The dissenting shareholder only</p>	<p>In 2020, the Company proposed to amend Article 39(3) of the Articles of Incorporation regarding the execution procedure of the appraisal right for the dissenting shareholders based on the rights of the dissenting shareholders stipulated in the Cayman laws</p>

<b>Differences</b>	<b>Cayman laws and notes</b>	<b>Provisions of the Articles of Incorporation and notes</b>
<p>(2) The Company signs, changes or terminates the contract related to the leasing of all business, entrusted operations or joint operations with others, assigns all or the main part of the business or property or acquires all business or property of others which has significant impact on the operation of the Company.</p> <p>2. The shareholder filing a request under the preceding paragraph shall make it in writing and specify the price for buying back within 20 days since the resolution date of the shareholders meeting. If the Company and shareholder reach an agreement about the price of buying back, the Company shall pay for the shares within 90 days since the resolution date of the shareholders meeting. In case no agreement is reached, the Company shall pay the fair price it has recognized to the dissenting shareholder who asks for a higher price within 90 days since the resolution date of the shareholders' meeting. If the Company did not pay, the Company shall be considered to be agreeable to the price requested by the shareholder.</p>	<p>have the right to apply to the Cayman Islands court for a ruling on the buying back price. The consolidation process may proceed and be completed without the completion of the buying back process. The Cayman lawyer considered that there may be a dispute since it is uncertain whether the Company may complete the consolidation procedure based on the Company Law of the Cayman Islands when the consolidation of the Company is executed on the Cayman Islands while the dissenting shareholder requests to buy the Company's shares by referring to the requirements stated in the most left column. To avoid doubts, the Cayman lawyer suggested the Company to specify that the requirements stated in the most left column shall apply without any violation against the Cayman laws and comply with the rights of the dissenting shareholders stipulated in the Cayman laws.</p>	<p>without any violation. In 2020, the Company proposed to amend Article 39(4) of the Articles of Incorporation to specify that if the Company and dissenting shareholder do not reach an agreement within certain period, the Company shall apply to the court for a ruling on the price to ensure the execution of the dissenting shareholder's appraisal right. The laws of Cayman Islands and the Articles of Incorporation vary from each other in the handling of the shares held by the dissenting shareholders, but have no material difference in the protection of shareholders' interests.</p>



<b>Differences</b>	<b>Cayman laws and notes</b>	<b>Provisions of the Articles of Incorporation and notes</b>
<p>3. For the shareholder who files a request for share purchasing to the Company according to Sub-paragraph 1 of Paragraph 1, in case no agreement is reached within 60 days since the resolution date of the shareholders meeting, the Company shall apply to the court for a ruling on the fair price against all the dissenting shareholders as the opposing party within 30 days after that duration. Taiwan Taipei District Court shall be the court of first instance.</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

Chairman: Chen, Pi-Hua