

Ticker: 4137

Chlitina Holding Limited

2016 Annual Report

Annual report is available at <http://newmops.twse.com.tw>

Chlitina's Website: <http://www.chlitina.com>

Prepared by Chlitina Holding Limited | Published on May 31, 2017

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

Spokesperson:

Name: Hu, Hui

Title: CFO

Tel No.: (886)2-27238666 E-mail: investor@chlitina.com

Deputy Spokesperson:

Name: Hu, An-Rong

Title: Accounting Manager

Tel No.: (886)2-27238666 E-mail: investor@chlitina.com

II. Address and Tel No. of Headquarters, Branches and Plant

(1) Companies

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 No.: (886)2-27238666

(2) 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 No.: (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 No.: (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 No.: (886)2-27238666

Name: W-Amber International Limited (Changed
name from Crystal Asia International Limited)

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

Address: OMC Chambers, Wickhams Cay 1, Road
Town, Tortola, British Virgin Islands

Tel No.: (886)2-27238666

Name: Centre de Recherche et de Developpement de
CHLITINA FRANCE EURL
Address: 102, avenue des Champs Elysées, 75008
Paris
Website: <http://www.chlitina.com>
Tel No.: (886)2-27238666

Name: Chlitina Marketing Limited
Address: OMC Chambers, Wickhams Cay 1, Road
Town, Tortola, British Virgin Islands
Website: <http://www.chlitina.com>
Tel No.: (886)2-27238666

Name: W-Amber Marketing Limited
(Changed name from Crystal Asia Marketing Limited)
Address: OMC Chambers, Wickhams Cay 1, Road
Town, Tortola, British Virgin Islands
Website: <http://www.chlitina.com>
Tel No.: (886)2-27238666

Name: Hong Kong Chlitina International Limited
Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28
Canton Road, Tsimshatsui, Kowloon, Hong
Kong
Website: <http://www.chlitina.com>
Tel No.: (852)-23763068

Name: Hong Kong W-Amber International
Limited(Changed name from Hong Kong
Crystal Asia International Limited)
Address: Room 308, 3rd Floor, Lippo Sun Plaza, 28
Canton Road, Tsimshatsui, Kowloon, Hong
Kong
Website: <http://www.chlitina.com>
Tel No.: (852)-23763068

Name : (BVI)W-Champion International Limited
Address : OMC Chambers, Wickhams Cay 1, Road
Town, Tortola, British Virgin Islands
Website : <http://www.chlitina.com>
Tel No. : (886)2-27238666

Name : Hong Kong W-Champion International Limited
Address : Room 308, 3rd Floor, Lippo Sun Plaza, 28
Canton Road, Tsimshatsui, Kowloon, Hong
Kong
Website : <http://www.chlitina.com>
Tel No. : (852)-23763068

Name : (BVI)C-Asia International Limited	Website : http://www.chlitina.com
Address : OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Tel No. : (886)2-27238666
Name : Hong Kong C-Asia International Limited	Website : http://www.chlitina.com
Address : Room 308, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Tel No. : (852)-23763068
Name: Chlitina (China) Trade Limited	Website: http://www.chlitina.com.cn
Address: Building F, Room 1201, 1033 Zhaojiabang Road, Xuhui District, Shanghai	Tel No.: (86)21-22201388
Name: W-Amber (Shanghai) Daily Product Limited	Website: http://www.chlitina.com.cn
Address: 1F and 3F of Building 2, No. 58, Jingxi Rd., Songjiang Industrial Park, Shanghai City, China	Tel No.: (86)21-57075707
Name: W-Champion (Shanghai) Trade Limited	Website: http://www.chlitina.com.cn
Address: Site B81, 2F, Building 2, No. 251, Jihying S. Rd., China (Shanghai) Pilot Free Trade Zone	Tel: (86)21-22201388
Name: W-Amber (Shanghai) Trade Limited	Website: http://www.chlitina.com
Address: Room 213, No. 1, Alley 180, Shanxi S. Rd., Xuhui District, Shanghai City, China	Tel: (86)21-22201388
Name: Jingya (Shanghai) Trade Limited	Website: http://www.chlitina.com
Address: Room 315, 3F, No.238 Shaanxi South Road, Xuhui District, Shanghai, China	Tel: (86)21-22201388

2.Branches:

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

Limited, Taiwan Branch	Tel No.: (886)2-27238666
Address: 10F, No. 107, Songren Rd., Xinyi District, Taipei City	
Name: Chlitina (Shanghai) Trade Limited, Nanjing Branch	Website: http://www.chlitina.com.cn Tel No.: (86)25-52601169
Address: Room 2026, No. 8, Hanzhong Rd., Gulou District, Nanjing City, Giangsu Province, China	
Name: Chlitina (Shanghai) Trade Limited, Nanjing Qinhuai Branch	Website: http://www.chlitina.com.cn Tel No.: (86)25-52601169
Address: No. 503, Zhongshan S. Rd., Qinhuai District, Nanjing City, Giangsu Province, China	
Name: Chlitina (China) Trade Limited, Dalian Branch	Website: http://www.chlitina.com.cn
Address: No. 6-1-1-2, Xinglin St., Zhongshan District, Dalien City, Liaoning Province, China	Tel No.: (86) 411-82558455
Name: Chlitina (Shanghai) Trade Limited, Guangzhou Branch	Website: http://www.chlitina.com.cn Tel No.: (86)20-83278819
Address: Room 1319, Zhonglv Commercial Mall, No. 219, Zhongshan 5 th Rd., Guangzhou City, Guangdong Province, China	
Name: Chlitina (Shanghai) Trade Limited, Hangzhou Branch	Website: http://www.chlitina.com.cn Tel No.: (86) 571-87073663
Address: Room 701, No. 9, Qingchun Rd., Shangcheng District, Hangzhou City, Zhejiang Province, China	
Name: Chlitina (China) Trade Limited, Beijing Branch	Website: http://www.chlitina.com.cn
Address: Unit 3, E. Tower 201, Level 2, 7F-Yuan, No. 8, Xibinhe Rd., Yongdingmen, Dongcheng District, Beijing City, China	Tel No.: (86) 10-87923880
Name: Chlitina (Shanghai) Trade Limited, Tianjin	Website: http://www.chlitina.com.cn

Branch	Tel No.: (86) 22-58656188
Address: No. 20-1, Pingan St., Hebei District, Tianjin City, China	
Name: Chlitina (Shanghai) Trade Limited, Chengdu Branch	Website: http://www.chlitina.com.cn Tel No.: (86) 28-86139017
Address: Qingyang District Xiaonan Street 83-85 Chengdu City, China	
Name: Chlitina (China) Trade Limited, Chengdu Second Branch	Website: http://www.chlitina.com.cn Tel No.: (86) 28-86132535
Address: Units 06 and 07, 10F, Huarun Building, No. 10, Shuangqing Rd., Chenghua District, Chengdu City	
Name: Chlitina (China) Trade Limited, Changning Branch	Website: http://www.chlitina.com.cn Tel No.: (86)21-22201239
Address: No. 805, No. 666, Huaihai W. Rd., Shanghai City, China	
Name: Chlitina (Shanghai) Trade Limited, Hebei Branch	Website: http://www.chlitina.com.cn Tel No.: (86)311-66611086
Address: Room 1632, Ximei Building, No. 6, Jianshe S. Main St., Shijiazhuang City, Hebei Province, China	
Name: Chlitina (China) Trade Limited, Fujian Branch	Website: http://www.chlitina.com.cn Tel: (86)0591-87388010
Address: Room 1201, Level 13, 2F, Jinhui Building, No. 492, Hualin Rd., Jinan District, Fuzhow City, Fujian Province, China	
Name: Chlitina (China) Trade Limited, Shaanxi Branch	Website: http://www.chlitina.com.cn Tel: (86)029-87206345
Address: Room 301, Level 3, Jinding Building, No. 116, Heping Rd., Xian City, Shanxi	

Province, China

Name: Chlitina (China) Trade Limited, Wenzhou
Branch

Website: <http://www.chlitina.com.cn>
Tel: (86)0577-88309620

Address: Room 2101, Building 1, Jaohang Plaza,
Station Avenue, Wenzhou City, Zhejiang
Province, China

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)021-22201388

III. Name, Address, Website and Tel No. for Stock Transfer Organization

Name: Transfer Agency Department, Fubon Securities
Address: 2F, No. 17, Xuchang St., Taipei City
Website: <http://www.fubon.com>
Tel No.: (886)2-23611300

IV. Name, Office Name, Address, Website and Tel No. of CPA for recent financial reports

Name: CPAs Huang, Po-Shu and Yu, An-Tian
Accounting Firm: KPMG
Address: 68F, No. 7, Sec. 5, Xinyi Rd., Taipei City
Website: <http://www.kpmg.com.tw>
Tel No.: (886)2-81016666

V. Names, Titles, Tel Nos. and E-mails of Litigation and Non-litigation Agent within the Republic of China

Name: Pi-hua Joanna Chen Title: Chairperson
Tel No.: (886)2-2723-8666 E-mail: investor@chlitina.com

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

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

VIII. List of Board of Directors

Title	Nationality	Name	Female/Male	Education & Past Positions	Current Positions at Other Companies
Chairperson	R.O.C.	Chen, Pi-Hua	F	EMBA, Tongji University Ph. D of Keuka College, USA	Note 1
Director	British Virgin IS.	Wealthy Garden Investment Limited	-	-	-
	R.O.C.	Representative: Chen, Pei-Wen	F	MBA, US Seton Hall University-MBA, Stillman School of Business Private Daren Girls' High School in Taipei-graduation	Note 2
	R.O.C.	Zhu, Yi	F	Dept. of Business Administration, Fu Jen Catholic University-graduation Regis University MBA, USA Harvard Business School - Advanced Management Program 1996 First term President of Estee Lauder Group in Taiwan Founding director and honor director of Taiwan Cosmetics Industry Association	Alchemy Corporation USA - President Very Mulan Investment Co., Ltd. - Adviser Taiwan Clinical Oncology Research Foundation - Vice Chairperson
Director	Mainland China	Wu, Si-Zong	M	Master of Economics, Shanghai University of Finance and Economics; Professor of Jiangxi University of Finance and Economics	Professor, School of Economy and Management, Tongji University Independent Director of Top Spring International Holdings Limited
Director	R.O.C.	Lee ,Chung-Teh	M	LLM, JD of School of Law, University of California, Berkeley Bachelor of Laws, National Taiwan University	Lee, Tsai & Partners/Chaired Partnership Lawyer Director of Taiwan Foundation For Rare Disorders Member of 10th Coordination Committee, Bureau of High Speed Rail, Ministry of Transportation and Communications

					Director of Cleaner Production & Regional Development Foundation Ching Chu Co., Ltd. /Chairperson
Independent Director	R.O.C.	Cai, Yu-Qin	F	Doctor, School of Accounting, Shanghai University of Finance and Economics Master, College of Accounting, National Chengchi University Director of Audit Dept., KPMG Assistant Professor, Dept. of Accounting, China University of Technology Passing High Level CPA Civil Test	Supervisor of Nichidenbo Corporation Supervisor of Tong Hsing Electronic Industries, Ltd. Independent Director of Mag. Layers Scientific Technics Co., Ltd. Assistant Professor, Dept. of Accounting, China University of Technology Mag. Layers Scientific Technics Co., Ltd. -Member of Remuneration committee ITEQ CORPORATION-Member of Remuneration committee TAIYEN BIOTECH—Independent Director
Independent Director	R.O.C.	Kao, Peng-Wen	F	MBA, Duke University, USA - graduation Main Products CFO, Global FDP and CFO, Electronic Spare Parts, Asia-Pacific Area of Philips President and COO of Walsin Lihwa Director of Very Mulan Investment Co., Ltd Director of Xing En Investment Limited	Director of Jess Link Products Co., Ltd. Director of Very Mulan Investment Co., Ltd. Director of Hsing En Investment Limited
Independent Director	R.O.C.	Yu, Hong-Ding	M	Dept. of Computer & Applied Sciences, Soochow University - graduation System Engineer, Products Manager and Business Manager of IBM Taiwan CEO, UNIX Server Products Div., IBM China CEO, MIDRANGER SERVER SYSTEM	-

				DIV., GREATER CHINA, IBM CHINA CEO, East and Central China, IBM China CEO, PRODUCTION, GREAT CHINA, IBM CHINA CEO, IBM Taiwan	
--	--	--	--	--	--

Note 1: Director of (BVI) Chlitina Group Limited, (BVI) Chlitina International Limited, (BVI) Chlitina Intelligence Limited, Centre de Recherche et de Developpement de CHLITINA FRANCE EURL, Hong Kong Chlitina International Limited, (BVI) Chlitina Marketing Limited, (BVI) Wealthy Garden Investment Limited, (BVI) J&R International Holding Limited, (BVI) Pure Sky International Limited, Dida Business Administration Consultant Limited, Hsin Ke Biochemical Technology Co., Ltd., San Yen So International Co., (BVI) Desheng Global Limited Ltd., Shanghai Cheng Yang Trading Co., Ltd., (BVI) W-Amber International Limited, (BVI) W-Amber Marketing Limited, and Hong Kong W-Amber International Limited, (BVI) W-Champion International Limited,. (BVI) W-Champion Marketing Limited, Hong Kong W-Champion International Limited, Hong Kong Jingya International Marketing Limited. Besides, also serves Executive Director of Chlitina (China) Trade Limited, Weishuo (Shanghai) Daily Product Limited, W-Amber (Shanghai) Trade Limited, W-Champion (Shanghai) Trade Limited, and Jingya (Shanghai) Trading Co., Ltd. Manager of Branch of British Virgin IS., Chlitina Marketing Limited, Taiwan Branch and Manager of Branch of British Virgin IS., Chlitina Intelligence Limited, Taiwan Branch, Supervisor of Chlitina International Trade Co., Ltd., Director of Full Blooming Investment Co., Ltd., Director of Jin Yongji Co., Ltd.

Note 2: Director of San Yen So International Co., Ltd., TuTu& Bow International Limited, Alexander Health Club (Shanghai), Alexander Health Club (Beijing), Chairperson of Alexander Health Club (Beijing-Dongzhimen), Kelti International Trade Co., Ltd., Charming Biotech Corporation, Dida Business Administration Consultant Company, Min Shang Trade Co., Ltd., Jishda Commercial Technology Co., Ltd., Action LIFE, Chlitina International Limited, J&V Global Limited, TuTu& Bow International Limited, FORTUNE RADIANCE INVESTMENT LIMITED, Supervisor of Chaoneng Biochemical Technology Co., Ltd., Global Interactive Marketing Co., Ltd., Hsin Ke Biochemical Technology Co., Ltd., Gin Yong Ji Co., Ltd., Life Abundance Investment Co., Ltd., Kelti (China) Daily Product Co., Ltd., Jin Yen (Shanghai)Biotech Co., Ltd., Zhaocang (Shanghai) Trading Co., Ltd., Supervisor of Jingya (Shanghai)Trade Limited.

Note 3: Director's domestic representative: mutual appointed between general directors and mutual appointed between independent directors.

Contact manner for domestic agent: Tel No. (886)2-27238666

E-mail: investor@chlitina.com

Chlitina Holding Limited

I. Report to Shareholders	13
i. 2016 Annual Operating Results:	13
ii. 2017 Operation Plan Overview	14
iii. The Company's Future Development Strategy	15
iv. Impacts from External Competitive Environment, Regulatory Environment, and Overall Business Environment.....	15
II. Company Introduction	18
i. Date of Establishment: July 3, 2012	18
ii. Company and Group History	18
iii. Group Structure:.....	22
iv. Risks.....	22
III. Corporate Governance.....	23
i. Organization.....	23
ii. Information of Directors, Supervisors, President, Vice President, Assistant President, Division Heads, and Branch Heads	26
iii. Remuneration of Directors, Supervisors, President and Vice Presidents in recent years	36
iv. Corporate Governance	41
v. Information Regarding Fee for CPAs	755
vi. Information on CPA replacement	766
vii. For the Company's chairperson, president and managerial officers in charge of financial and accounting affairs, and those who worked in the firm or affiliated enterprise of the CPA in the latest year: None.....	788
viii. Net change in shareholding and net change in shares pledged by Directors, Supervisors, Managerial officers and Shareholders with 10% shareholding or more.....	788
ix. Information on the fact that the top 10 shareholders are the related parties of each other, in a spousal relationship or within 2nd level of kinship as referred.....	79
x. The shares of a same re-investment business held by the Company, its directors, supervisors, managerial officers and the business directly or indirectly controlled by Company, and details of consolidated shareholding ratios:	811
IV. Capital Raising Status.....	83
i. Capital and Stocks.....	83
ii. Issuance of corporate bonds.....	889
iii. Issuance of preferred stock: None.....	933
iv. Status of overseas depositary receipt: None.....	933
v. Process of employee stock warrants: None.....	93
vi. Status for issuance of restricted new shares for employees: None.....	933
vii. New share issuance for acquisition or assigned shares: None	933
viii. Execution of Fund Program	933
V. Operational Highlights.....	988
i. The business content	988

ii. Marketing and sales overview.....	1133
iii. Personnel Information in the latest 2 years	129
iv. Environmental Conservation Expense	12929
v. Employee Relations	1300
vi. Code of Conduct	1322
VI. Financial Status	1333
i. Simplified Financial Data for the Last 5 Years	1333
ii. Analysis for the last 5 years' Financial Status.....	1366
iii. The last year's Financial Reports, Audit Committee's Audit Report	139
iv. Financial reports of the last year	142
v. The most recent CPA reviewed and certified individual financial statement: None.	2011
vi. If Company and its affiliates encounter financial hardship in the most recent fiscal year up to the publication of this prospectus, explain the effect on company's financial position: None	201
VII. Review and Risk Items of Financial Status, Financial Performance	201
i. Financial Status	2011
ii. Financial Performance	2022
iii. Cash Flow	204
iv. Effects of Key Capital Expenses on Finances and Business	205
v. Most recent year re-investment policy, the main reasons for its profit or loss, improvement plans and the coming year investment plan	205
vi. Risk Analysis and Assessment Matters for the Most Recent Year and Up to the Annual Report's Date of Publication:	208
vii. Other important matters: None	234
VIII. Special notes	2344
i. Information of Affiliated companies.....	2344
ii. Private placement of securities in the latest year (2016) and as of the date of printing of the annual report: N.....	242
2	
iii. Subsidiary's holding or disposal of the Company's stock in the latest year (2016) and the date of printing of the annual report	2422
iv. Other matters which need additional clarification: explanation of the significant differences with the ROC provisions for shareholder equity safeguards.....	2433
IX. Any matters covered in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act occurred in the latest year and as of the date of printing of the annual report, which significantly impacted shareholders' equity and price of securities shall be explained.....	248

I. Report to Shareholders

CHLITINA Holding Limited 2016 Annual Business Report

The CHLITINA Holding Limited (hereinafter referred to as the Company) hereby reports its 2016 annual operating results and 2017 annual operating plan as follows:

i. 2016 Annual Operating Results:

(1) Operating Plan Implementation Results:

The Company's 2016 consolidated operating revenue totaled NT\$3,360,584,000, which is a 23.52% negative, after-tax net profit was NT\$730,790,000 growth as compared to the 2015 consolidated operating revenue of NT\$4,394,264,000; the after-tax net profit was NT\$1,167,087,000, which is a 37.38% negative growth as compared to the 2015 after-tax net profit of NT\$1,167,087,000.

In terms of sales territories, the operating revenue for Mainland China was NT\$3,211,166,000, which made up 95.55% of the operating revenue; the Mainland continues to be the largest market and main area of focus for expanding and growing the business for the Company.

(2) Financial Revenue and Profitability Analysis:

In terms of the financial revenue and the financial structure, the Company's 2016 assets to liabilities ratio was 37%, the working capital ratio was 210%, the net profit margin was 22%, and the cash flow from operating activities was NT\$1,473,962,000. These results not only demonstrate that the Company continues to grow in terms of performance and profit, but also its profitability and financial structure are also very stable.

(3) Research Development Status

The company's focuses on its philosophy to adopt "the medical as it functionality, the cosmetics as it foundation" for its skin care for its cosmetic extension to provide the professional skin care to customers who have various skin problems. Through the advanced techniques, the Company introduced advanced industry technology, directed at the target consumer groups from the various channels, and continued to introduce new products. In response to issues with mild maturity, ageing, and problematic skin, the Professional Line Channel researched and developed the high-end professional plant extracts muscle energy product series, based on "pure", "technology", and "efficiency" in 2016 as its product development direction, using the 4C line products, to research and develop based on meeting the needs of "health" and "beauty" of a wider consumer group, and to research and develop based on "fashion", "efficiency", and

“speedy” as the product demands. Different products were introduced through the different channels in order to fully maximize the ability to satisfy the personalized skin care needs of different consumers.

ii. 2017 Operation Plan Overview

(1) Operating Strategy:

1. Continue to deepen the brand essence of “Women, Love Bravely”; solidify the high quality noble brand image; elevate brand awareness; conduct brand communication through various media; precisely identify target consumer groups through high-end activity sponsorships and large marketing activities, in order to enhance the franchise loyalty or “stickiness” and the consumer acceptance to maximize the shareholders’ profitability.
2. Further strengthen the training mechanism for the Professional Line Channel; elevate the servicing skills of the beauticians and the profitability of the franchisees; leverage the advantage of the franchisee’s high-end products coupled with professional services to improve the franchisee’s appeal to consumers. Introduce new products to the market in a timely manner and aggressively leverage the advantage of the Professional Line products. With the Mainland continue to deepen the process of urbanization, and with the third and fourth-tier cities continue to grow in terms of consumer demand and spending power, we need to deepen our exploration of market potential and provide different levels of management for different regions. Establish different store expansion targets and franchise strategy; increase store expansion rate and quality, in order to achieve channel expansion.
3. Aggressively develop new channels, especially the development of 3C supplier channel. Start with the facial skin care products and expand to health care products; utilize a diversified marketing strategy in order to achieve “fast, effective and accurate”, and attract a larger consumer group, especially the younger consumer group, in the hopes of completing the channel construct and coverage, and expanding sales volume.
4. The channel of the development in medical cosmetic is the opportunity to establish this area in mainland China and firmly create its brand. “Safety, Professional, and Excellence” is the focus for the most efficient skin care solutions as well as taking the existing products and medical cosmetic combined to strategize the new channel and broaden the suitability of the existing promotion channel.

(2) Expected Sales Volume and Basis:

In 2017, the Company continues to contribute to the growth of the sales volumes of various

channels to achieve their revenue growth targets by implementing the 2017 strategy of “efficient product treatment”, “sales channel diversification”, and “marketing strategy diversification”, in accordance to the macro environment, industry characteristics, and market supply and demand conditions.

iii. The Company’s Future Development Strategy

- (1) Elevate research capabilities, in accordance to specific channels and different consumer groups; continue to develop products that are professional, high-end, and have enhanced quality.
- (2) Continue to deepen the brand essence, expand brand influence, and strengthen consumer loyalty.
- (3) Comply with Mainland’s pace of urbanization, continue to develop the third and fourth-tier cities and those potential markets, and discover potential consumer needs.
- (4) Speed up the development of 3C suppliers channel, achieve and cross-region marketing to further attract a wider consumer group, especially the younger consumer group, and continue to expand sales volume.
- (5) Establishing medical cosmetic promotion channel in mainland China and firmly create its brand. “Safety, Professional, and Excellence” is the focus for the most efficient skin care solutions as well as taking the existing products and medical cosmetic combined to strategize the new channel and broaden the suitability of the existing promotion channel.

iv. Impacts from External Competitive Environment, Regulatory Environment, and Overall Business Environment

- (1) Impacts from External Competitive Environment and Overall Business Environment:

In 2016, the Chinese economic growth continued to show a trend of slowing down. According to the “2016 National Economic and Social Development Statistics Bulletin” published by the National Bureau of Statistics of China, the GDP growth rate was 6.7% for the Mainland region; tertiary industries GDP accounted for 51.6% of total national GDP. Tertiary industries, especially the service industry, saw significant growth. Under the influence of multiple factors such as industrialization, information technology, and elevated residential consumer spending, there was strong growth in the service industry. The tertiary industries grew by 7.8%, and the service industry continued to expand on its contribution to the growth of the economy. Consumer spending further enhances the pull action on growth, and the final annual rate of consumer spending’s contribution to economic growth was 64.6%. The level of urbanization continued to increase, reaching 57.35 %, and the income gap of urban and rural residents continued to shrink. The growth of the residents’ income was greater than

that of the economy, where the annual national per capita disposal income grew by 8.4% compared to the previous year; after eliminating pricing factors, the actual growth rate was 6.3%, Service industry development, urbanization pace, and residential per capita income increase all demonstrate the enormous potential of the Chinese consumer product market, especially the cosmetics products industry and service industry. Within the above designated size enterprise retail sales, cosmetics products grew by 8.3%. In addition, according to relevant industry reports published by Euromonitor International, the future compound annual growth rate for the Chinese cosmetics products market size between 2015 and 2020 can reach 9.1%.

In 2016, the Chinese government increased decentralization efforts, improved financial support, and strengthened incentives, which promoted and shaped a surge of public entrepreneurship and innovation; the transition to a trend of innovation-driven economic development was obvious. Supported by a series of innovative entrepreneurial activities and their results, new industries, new formats, and new products rapidly accelerated their growth and development. New industries grew quickly. New formats flourished in their developments. The annual online retail product sales volume grew by 25.6% compared to the previous year, the mobile Internet access traffic volume grew by 15.2% and others share a increase of 28.8%.

The competition within the SPA chain stores and consumer products market is increasingly fierce. In a dispersed competitive market, a quality brand possesses a strong market appeal, and has more opportunities for market integration. At the same time, the franchise operations can be directly impacted by macro economic environment and consumer disposal income. Urbanization and public entrepreneurship guidance, the regional depth and width of the promotion and expansion of stores, and the development of e-commerce will be advantageous to eliminating regional limitations and expanding consumer groups, which will bring about more development opportunities for the Company. Traditional industries transitioning and upgrading, as well as above and below the line integrated marketing tactics, will further highlight the Company's unique competitive advantage of products with the services treatment combination and the follow- up advantage of 3C supplier brand.

(2) Impact from Regulatory Environment:

China has established the following regulations targeting the skin care products production and manufacturing processes: "Hygienic Standard for Cosmetics", "Cosmetics Health Supervision Regulations", "Cosmetic Health Supervision Regulations Implementing Rules", "Industrial Production Authorization Regulations", "Domestic Non-special Purpose Cosmetics Record

Management Method”, and “Cosmetics Labels Instructions Management Regulations”. For the franchise industry, numerous laws and regulations, such as the “Commercial Franchise Administration Regulations”, have been established; businesses must apply for and receive many legal and valid licenses and permits, in order to operate skin care products manufacturing and franchise businesses in China. The obtaining of relevant licenses in accordance to the laws and regulations has huge impacts on the business operation for the Company. However, as of the date of printing of this annual report, the Company has always and successfully obtained the licenses and permits the Company requires for business operations and got an update as it pertains to these matters.

With the complicated external changes, the competition in the cosmetic chain and it becomes very aggressive. With the separate competition, the excellent brand requires the market promotion. The brand excellence request a strong market and there are more opportunities of mare market. Meanwhile, the franchise will be affected to. The electronic business promoting channel establishment decreases the gap between the cities, townships, municipality and brings more opportunities to the company. The traditional business upgraded to top down and top up promoting strategies, and the uniqueness of the product has stood up and combine the series skin care courses to increase the brand power and the competitive advantages.

Chairperson: Chen, Pi-Hua

Manager: Chen, Pi-Hua

Accounting Director: Hu, Hui

II. Company Introduction

i. Date of Establishment: July 3, 2012

ii. Company and Group History

Year	Major Events in the Company and Group History
1989	“CHLITINA” was established in Taiwan.
1997	CHLITINA was established in Shanghai to officially entered China Market.
1999	The first CHLITINA flagship store was opened on Huaihai Road in Shanghai.
2002	CHLITINA established a Shanghai training center that provides assorted professional courses.
2003	The advanced production equipment and rigorous scientific production quality control led SongJiang factory to successfully pass “Cosmetic Good Manufacturing Practice (GMP) “by UK accreditation service, Intertek Testing Service Ltd., Shanghai and receive ISO9001 from International United Registrar of Systems (URS) and ISO9001 from Shanghai Audit Center of Quality System (SAC). The double certification is a rare feat for businesses in China.
2005	Broadened national market, with number of franchised stores reaching 2,000.
2006	Shanghai Yungji Trade Limited (Yungji Limited) was established, with number of franchised stores reaching 2,475.
2007	Chengdu CHLITINA regular chain store opened. Weishuo (Shanghai) Daily Product Limited (WeiShuo Company) was established. CHLITINA International Limited was established.
2008	Dalian CHLITINA regular chain store opened. Centre de Recherche et de Developpement de CHLITINA FRANCE EURL was established to collaborate with French partner in research and development.
2009	Hong Kong CHLITINA International Limited was established. Weishuo Company officially went into production.
2011	“CHLITINA” and “克麗緹娜” received special honor as both English and Chinese names were listed in the “China Well Known Trademark” by Trademark Office of the State Administration for Industry & Commerce of the People’s Republic of China. CHLITINA Group was established.
2012	CHLITINA Intelligence Limited was established. CHLITINA received “Leading Brand Award” and “Most Influential Beauty Chain in 2012 Award” in the 17 th China Beauty Expo in Shanghai. (BVI) CHLITINA Holding Limited established in British Cayman Islands became the first group organization to apply for securities exchange.

Year	Major Events in the Company and Group History
	<p>Won “Asian Brand Award” and “The Most Potential Chain in China Award” from Chinese Association of Affiliate Industry (CAIA).</p> <p>CHLITINA won “Most Loved Brand by Women Award” in the 4th “Hers Quality Life Festival” hosted by <u>Urban Housewives</u> magazine.</p> <p>In the “Top 50 Growth Chain-Style Business in China Forum and Award Ceremony by cyzone.cn in 2012”, CHLITINA won the “Top 50 Growth Chain-Style Business in China Award” due to its brand reputation/popularity and growth potential (Franchise 50).</p> <p>Shanghai Yungji trade limited was renamed to CHLITINA (Shanghai) Trade Limited.</p> <p>CHLITINA Marketing Limited and its Taiwan branch were established.</p>
2013	<p>CHLITINA brand won “Asia’s Top 10 Brands with the Most Investment Values Award” in Asia Brand Association Annual Meeting and China Brand Ranking Ceremony.</p> <p>Weishuo Company won “Advance Business Award” from Songjian District People’s Government.</p> <p>In May, CHLITINA won “2013 Most Influential Venture Capital Brand Award” and “2013 Venture Capital Expo Gold Award” in “National Brand Franchise Expo.”</p> <p>In May, CHLITINA won “Top 10 Business Model Award” from <u>Beauty Salon</u> magazine.</p> <p>Also in May, CHLITINA received “Leading Brand Award” and “Most Brand Value Beauty Chain in 2013 Award” in the 18th China Beauty Expo in Shanghai.</p> <p>In Aug., CHLITINA won the “Top 50 Growth Chain-Style Business in China Award” from <u>cyzone.cn</u> magazine.</p> <p>In Nov., CHLITINA won “2013 Trusted Hairdressing and Beauty Brand Award” from Shanghai Municipal Commission of Commerce, <u>Shanghai Morning Post</u>, and Shanghai Business Association.</p> <p>On Nov. 27, CHLITINA were list on the Taiwan Stock Exchange (TWSE).</p>

Year	Major Events in the Company and Group History
2014	<p>In Jan., CHLITINA won “2013 7.6 Million <u>Metro Time</u> Readers’ the most Favorite Fashion Brand Award” in the Fashion City Light Ceremony.</p> <p>Also in Jan., CHLITINA E.P.O. Facial Cleaner won “2013 the most classic facial cleaning product” in the Fashion City Light Ceremony.</p> <p>In Feb., CHLITINA won “2013 China Charity Collective Award” in the 3rd China Charity Festival.</p> <p>Also in Feb., CHLITINA’s “Light up the Light” Project won “The best Charity Spirit Award” in the 3rd China Charity Festival in 2013.</p> <p>On March 3rd, CHLITINA launched “Women, Love Bravely” campaign for CHLITINA’s 25th anniversary.</p> <p>In May, CHLITINA won the “The Investors’ Most Favorite Brand Award” at the 15th China Venture Capital Fortune Making Expo in Shangdong.</p> <p>In June, CHLITINA E.P.O. Facial Cleaner won “2014 the Most Potential Venture Project Award” at 2014 the 20th Joining China Franchise & China Venture Exhibition.</p> <p>Also in June, CHLITINA won “2014 The Best Brand Image Award” at the 3rd China Finance Summit.</p> <p>In Sep., CHLITINA won “2014 China Association of Fragrance Flavor and Cosmetic Industries Boutique Tour Special Contribution Award” and “China Association of Fragrance Flavor and Cosmetic Industries Business Leader Award.”</p> <p>Also in Sep., CHLITINA won “ 2014 The Most Fashionable Beauty Chain Award.”</p> <p>In Nov., CHLITINA won “2013 China Franchise Venture Contribution Award” and “2013 Top 120 of China Franchise” from China Chain Store & Franchise Association.</p> <p>Also in Nov., CHLITINA won “Project Hope 25 Years Special Contribution Award” from China Youth Development Foundation.</p>
2015	<p>In Jan., CHLITINA Chairperson Ms. Pi-hua Joanna Chen received “2014 China Charity Character Award.”</p> <p>Also in Jan., CHLITINA won “2014 China Charity Collective Award.”</p> <p>In June, CHLITINA and Hubei TV collaborated on making TV show, “Perhaps Love,” the legendary journey of brave love.</p> <p>In July, CHLITINA launched “Beauty, Heath, Happiness” campaign in Xiamen.</p> <p>In Oct., CHLITINA was named “Taiwan’s Best 20 Global Brands” from Interbrand, the largest global brand-consulting firm.</p> <p>In Nov., CHLITINA Deluxe Renew Firming Cream won “The Best 4D Contour Award” in <u>Femina</u> Magazine’s blind tests.</p>

Year	Major Events in the Company and Group History
2016	<p>In Jan., CHLITINA CEO Ms. Pi-hua Joanna Chen received “2015 China Charity Character Award.”</p> <p>Also in Jan., CHLITINA won “2015 Responsible Brand Award.”</p> <p>In Mar., CHLITINA joined the 19th Shanghai International Film Festival as official organization partner.</p> <p>In Mar., CHLITINA and its spokesperson, A-Lin, launched “Cocoon” concept in a brand festival at the Shanghai Culture Square.</p> <p>Also in Mar., CHLITINA and Shanghai International Film Festival announced a global call for documentary films in the subject of “Women, Love Bravely.”</p> <p>In April 2016, the Spokesperson of CHLITINA, A-Lin started to promote broadcast on television and print ads in Mainland China and Taiwan at the same time.</p> <p>In April 2016, the charity computer donation of CHLITINA “Lit The Light Plan” went in to Jinzhai of Anhui Province.</p> <p>In April 2016, CHLITINA Spinning Series Nine Peptide Lotion was awarded "Year of the Eve" Best Whitening Repair Award</p> <p>In May 2016, CHLITINA 'Lit The Lint Plan' national teacher training class started in May 11th - 16th in Shanghai.</p> <p>In June 2016, CHLITINA became the official partner of the 19th Shanghai International Film Festival and also was the only skin care brand designated by Shanghai International Film Festival.</p> <p>In June 2016, The Chairman of the Board of Director, Pi-hua Chen, was elected as the president of the National Medical Beauty Industry Branch</p> <p>In April to July 2016, Taiwan invested and be titled on mainland strong drama "Min-Jue Biography" to enhance brand awareness..</p> <p>In July 2016, CHLITINA won the "2016 outstanding brand image award" of the fifth financial summit, The Chairman of the Board of Director, Pi-hua Chen, won the award of "2016 Best Man of Wealth and Wisdom"</p> <p>In August 2016, COO of CHLITINA Cheng-Yu Shou Hsin became the only representative of the industry invited to attend the Hangzhou B20 summit</p> <p>In November 2016, CHLITINA new concept store debut Shanghai core business district Huaihai Road, which creates a unique five-sense experience to build a new concept of luxury skin care, so that consumers from the inside can understand the "cocoon" spirit of the brand culture.</p> <p>In November 2016, CHLITINA became the only representative of the industry that won the twenty great brands international, the value of the brand aroused 19%. To compare with the</p>

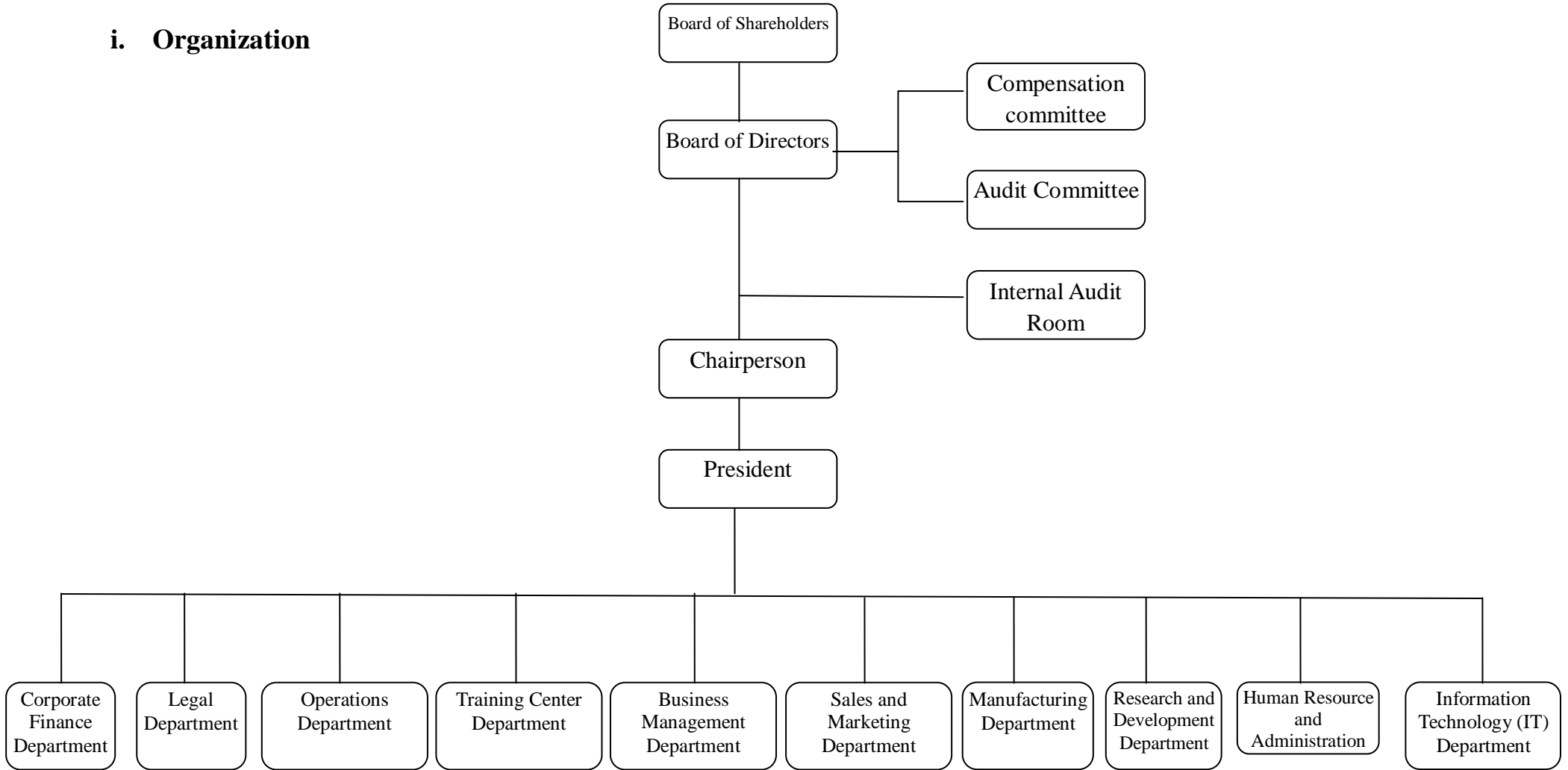
Year	Major Events in the Company and Group History
	<p>average value of all twenty great brands selected, CHLITINA’s growth rate of brand value is higher than others’ by about 18%</p> <p>In November 2016, the Chairman of CHLITINA, Pi-hua Chen, being a contributive and successful leader of the company, was awarded honorary Ph.D. of Humanities from Cook University, New York, USA because of her insistence in humanistic care and always paying attention to support cultural exchanges between Mainland and Taiwan.</p> <p>In November 2016, CHLITINA protein cream won The Best Tightening Firming Award of the year given by “Femina”</p>
2017	<p>In January 2017, CHLITINA won the “2016 Special Tribute Award” of the 6th China Public Welfare Festival and the Chairman of CHLITINA, Pi-hua Chen, won the "2016 annual public interest award" in the same Festival.</p> <p>In February 2017 the conference to public the official cooperation of CHLITINA and 6th Shanghai International Film Festival.</p> <p>In February 2017, CHLITINA cooperated with Shanghai Hongqiao International Airport for the female art exhibition “Women, Brave to Love”</p> <p>In February 2017, CHLITINA Held "based on the 20th anniversary and takeoff" brand festival, upgraded the brand declaration for the "woman brave to love and more beautiful gesture", and released three humanities video designing to "pay tribute to every woman who is brave to love"</p>

iii. Group Structure: Please see the special note in the Chapter 8 of this annual report

iv. Risks: Please see the risks assessment and other important explanations in the Chapter 7 of this annual report

III. Corporate Governance

i. Organization



Departments	Businesses
Corporate Finance Department	<ol style="list-style-type: none"> 1. Formulating the Group annual budget and account. 2. Establishing and plan the Group tax policy. 3. Executing accounting operation, billing, and financial planning.
Legal Department	<ol style="list-style-type: none"> 1. Preventing legal risk, ensures legal operation, and establishing and maintaining good relationship between our company and related government legal department. 2. Assisting management to control legal risks that could be encountered in company operation and providing legal advice.
Operations Department	<ol style="list-style-type: none"> 1. Establishing operating procedures such as operating policy and performing interrelated practical direction, coordination, and supervision. 2. In charge of setting up concrete measures for logistic distribution related operations and safety management, and be responsible for guidance and supervision in implementation. 3. Responsible for all inventory storage management and ensuring supply distribution, transit, and delivery.
Training Center Department	<ol style="list-style-type: none"> 1. Formulating and executing training strategy. 2. Planning, arranging, and managing all activities in the Training Center.
Business Management Department	<ol style="list-style-type: none"> 1. Formulating business development strategy based on company's development plan. 2. Establishing CHLITINA franchise management system and formulating nationwide franchise join policy. 3. Formulating business promotion incentive program.
Sales and Marketing Department	<ol style="list-style-type: none"> 1. Making Internal publication, point of sale materials, and other graphic designs. 2. Formulating nationwide brand promotion and planning marketing campaign.
Manufacturing Department	<ol style="list-style-type: none"> 1. Managing manufacturing and subcontracting related business to meet annual production targets.
Research and Development Department	<ol style="list-style-type: none"> 1. Promoting research and development capability and supporting pre-sale marketing development of new products. 2. Formulating standard cost and achieves effective cost control; managing and maintains scheduled regulation business for products already on market; coordinating between new and old products.
Human Resource and Administration Department	<ol style="list-style-type: none"> 1. Making human resources planning and establishing and executing personnel management policy. 2. Establishing and executing administration and general affairs systems.
Information	<ol style="list-style-type: none"> 1. Formulating reasonable IT department budget to properly furnish hardware and

Departments	Businesses
Technology (IT) Department	<p>software for the Group.</p> <p>2. Establishing network system, application programs, business system for all branches.</p> <p>3. Establishing and executing Management Information System (MIS) to intergrade company's computerized management operation.</p>

ii. Information of Directors, Supervisors, President, Vice President, Assistant President, Division Heads, and Branch Heads

(1) Directors and Supervisors Information

Apr. 30, 2017 Unit: thousand shares; %

Position (note 1)	Nationality or registered place	Name	Sex (Female/Male)	Date Elected (note 1)	Term (note 1)	Date First Elected (note 1)	Shareholding When Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding under the title of a 3rd party		Education & Past Positions	Current Positions at Other Companies	Spouse or 2nd level kin holding other heads, director or supervisor position		
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relation- ship
Chairperson	R.O.C.	Chen, Pi-Hua	F	June 17, 2015	3 years	July 3, 2012	-	-	100	0.13	-	-	-	-	EMBA, Tongji University Ph. D of Keuka College, USA	note 3	Director	Chen, Pei-Wen	Sisters
Director	British Virgin IS.	Wealthy Garden Investment Limited	-	June 17, 2015	3 years	Aug. 23, 2012	28,056 (note 2)	35.29	28,056	35.29	-	-	-	-	-	-	-	-	-
	R.O.C.	Chen, Pei-Wen	F	June 17, 2015	3 years	June 17, 2015	-	-	-	-	-	-	-	-	MBA, Seton Hall University, Stillman School of Business, USA Private Daren Girls' High School in Taipei-graduation	note 4	Director	Pi-hua Joanna Chen	Sister
Director	R.O.C.	Zhu, Yi	F	June 17, 2015	3 years	Aug. 23, 2012	-	-	-	-	-	-	-	-	Dept. of Business Administration, Fu Jen Catholic University- graduation Regis University MBA, USA Harvard Business School - Advanced Management Program 1996 Estee Lauder Group First term President of Estee Lauder Group Founding director and honor director of Taiwan Cosmetics Industry Association	Alchemy Corporation USA - President Very Mulan Investment Co., Ltd. - Adviser Taiwan Clinical Oncology Research Foundation - Vice Chairperson	-	-	-

Director	Mainland China	Wu, Si-Zong	M	June 17, 2015	3 years	Aug. 23, 2012	-	-	-	-	-	-	-	-	-	Master of Economics, Shanghai University of Finance and Economics Professor of Jiangxi University of Finance and Economics	Professor, School of Economy and Management, Tongji University Independent Director of Top Spring International Holdings Limited	-	-	-
Director	R.O.C.	Lee, Chung-Teh	M	June 17, 2015	3 years	June 19, 2014	-	-	-	-	-	-	-	-	-	LLM, JD of School of Law, University of California, Berkeley Bachelor of Laws, National Taiwan University	Lee, Tsai & Partners/Chaired Partnership Lawyer Director of Taiwan Foundation For Rare Disorders Member of 10th Coordination Committee, Bureau of High Speed Rail, Ministry of Transportation and Communications Director of Cleaner Production & Regional Development Foundation Ching Chu Co., Ltd. /Chairperson	-	-	-

Independent Director	R.O.C.	Cai, Yu-Qin	F	June 17, 2015	3 years	Aug. 23, 2012	-	-	-	-	-	-	-	-	Doctor, School of Accounting, Shanghai University of Finance and Economics Master, College of Accounting, National Chengchi University Director of Audit Dept., KPMG Assistant Professor, Dept. of Accounting, China University of Technology Passing High Level CPA Civil Test	Supervisor of Nichidenbo Corporation Supervisor of Tong Hsing Electronic Industries, Ltd. Independent Director of Mag. Layers Scientific Technics Co., Ltd. Mag. Layers Scientific Technics Co., Ltd. -Member of Remuneration committee ITEQ CORPORATION-Member of Remuneration committee Independent Director of Taiyen Biotech Assistant Professor, Dept. of Accounting, China University of Technology	-	-	-
Independent Director	R.O.C.	Kao, Peng-Wen	F	June 17, 2015	3 years	Nov. 12, 2012	-	-	-	-	-	-	-	-	MBA, Duke University, USA - graduation Main Products CFO, Global FDP and CFO, Electronic Spare Parts, Asia-Pacific Area of Philips President and COO of Walsin Lihwa Director of Very Mulan Investment Co., Ltd Director of Xing En Investment Limited	Director of Jess Link Products Co., Ltd. Director of Very Mulan Investment Co., Ltd. Director of Hsing En Investment Limited	-	-	-

Independent Director	R.O.C.	Yu, Hong-Ding	M	June 17, 2015	3 years	Nov. 12, 2012	-	-	-	-	-	-	-	-	Dept. of Computer & Applied Sciences, Soochow University - graduation System Engineer, Products Manager and Business Manager of IBM Taiwan CEO, UNIX Server Products Div., IBM China CEO, MIDRANGER SERVER SYSTEM DIV., GREATER CHINA, IBM CHINA CEO, East and Central China, IBM China CEO, PRODUCTION, GREAT CHINA, IBM CHINA CEO, IBM Taiwan	-	-	-	-
----------------------	--------	---------------	---	---------------	---------	---------------	---	---	---	---	---	---	---	---	---	---	---	---	---

Note 1: Our Company was established in British Oversea Territory Cayman Islands on July 3, 2012. Based on the Cayman Islands Company Act, an extraordinary shareholders' meeting was called on Aug. 23, 2012 to elect four directors. Also on Aug. 23, 2012, "Corporate Charter" and "Director Electing Procedure" were discussed and passed; then, another four directors were elected by accumulative voting on Nov. 12, 2012. The first term was from Nov. 12, 2012 to Aug. 22, 2015. In the shareholders meeting on June 17, 2015, directors were elected for the second term from June 17, 2015 to June 16, 2017. Our company appoints 8 directors, and three of them are independent directors.

Note 2: Our company capital was NTD20,000 thousand when the company was established on July 3, 2012. In the extraordinary shareholders' meeting on Aug. 23, 2012, capitalization of capital reserves was passed. All shareholders increase shareholdings based on their shareholding ratio. In the regular shareholders' meeting on June 19, 2014, capitalization of profits was passed. All shareholders increase shareholdings based on their shareholding ratio on the ex-right day.

Note 3: Director of (BVI) Chlitina Group Limited, (BVI) Chlitina International Limited, (BVI) Chlitina Intelligence Limited, Centre de Recherche et de Developpement de CHLITINA FRANCE EURL, Hong Kong Chlitina International Limited, (BVI) Chlitina Marketing Limited, (BVI) Wealthy Garden Investment Limited, (BVI) J&R International Holding Limited, (BVI) Pure Sky International Limited, Dida Business Administration Consultant Limited, Hsin Ke Biochemical Technology Co., Ltd., San Yen So International Co., (BVI) Desheng Global Limited Ltd., Shanghai Cheng Yang Trading Co., Ltd., (BVI) W-Amber International Limited, (BVI) W-Amber Marketing Limited, and Hong Kong W-Amber International Limited, (BVI) W-Champion International Limited, (BVI) W-Champion Marketing Limited, Hong Kong W-Champion International Limited, (BVI) Crystal Asia International Marketing Limited, Hong Kong Cristal Asia International Marketing Limited. Besides, also serves Executive Director of Chlitina (China) Trade Limited, Weishuo (Shanghai) Daily Product Limited, W-Amber (Shanghai) Trade Limited, W-Champion (Shanghai) Trade Limited and Jingya (Shanghai) Trade Limited. Manager of Branch of British Virgin IS., Chlitina Marketing Limited, Taiwan Branch and Manager of Branch of British Virgin IS., Chlitina Intelligence Limited, Taiwan Branch. Supervisor of Chlitina International Trade Co., Ltd. Director of Full Blooming Investment co., Ltd. Director of Jin Yongji Co., Ltd.

Note 4: Director of San Yen So International Co., Ltd., TuTu& Bow International Limited, Alexander Health Club (Shanghai), Alexander Health Club (Beijing), Chairperson of Alexander Health Club (Beijing-Dongzhimen), Kelti International Trade Co., Ltd., Charming Biotech Corporation, Dida Business Administration Consultant Company, Min Shang Trade Co., Ltd., Jishda Commercial Technology Co., Ltd., Action LIFE, Chlitina International Limited, J&V Global Limited, TuTu& Bow International Limited, FORTUNE RADIANCE INVESTMENT LIMITED. Supervisor of Chaoneng Biochemical Technology Co., Ltd., Global Interactive Marketing Co., Ltd., Hsin Ke Biochemical Technology Co., Ltd., Gin Yong Ji Co., Ltd., Life Abundance Investment Co., Ltd., Kelti (China) Daily Product Co., Ltd., Jin Yen (Shanghai)Biotech Co., Ltd., Zhaocang (Shanghai) Trading Co., Ltd., Supervisor of Jingya (Shanghai)Trade Limited.

Major Shareholders of Important Corporate Shareholders

Apr.30, 2017

Corporate Shareholders (note 1)	Major Shareholders of Corporate Shareholder (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: Those directors and supervisors who are corporate shareholder representatives shall fill in the name of the corporate shareholders they represent.

Note 2: When filling in the names and respective shareholder ratios of the major shareholders (the top 10 shareholders of the corporate shareholder in terms of their shareholding ratios) of the corporate shareholder in question, if the major shareholder is an institutional investor, the table 2 below shall be filled out.

Representatives of Major Shareholders of Important Corporate Shareholders:

Apr. 30, 2017

Corporate Shareholders (note 1)	Principal Shareholders of Corporate Shareholder (note 2)
Best Honour Development Limited (55%)	Chen, Wu-Kang (100%)
De Sheng Global Limited (9%)	Pi-hua Joanna Chen (100%)
Fortune Radiance Holdings Limited (9%)	Chen, Le-Wei(100%)
Yong Shun Group Limited (9%)	Chen, Szu-Fan (100%)
Fortune Radiance Investment Limited (9%)	Chen, Pei-Wen (100%)
Smart Fortune Asia Limited (9%)	Chen, Chao-Ching (100%)

Directors and Supervisors Information (2)

Apr. 30, 2017

Name (note 1)	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Qualification(note 2)										Number of other public companies concurrently serving as an independent director	
	Criteria	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9		10
Chen, Pi-Hua	-	-	√	-	-	-	-	-	-	-	√	-	√	√	-
Chen, Pei-Wen	-	-	√	-	-	-	-	-	-	-	√	-	√	-	-
Zhu, Yi	-	-	√	√	-	√	√	√	√	√	-	√	√	√	-
Wu, Si-Zong	√	-	√	√	-	√	√	√	√	√	√	√	√	√	1(note 3)
Lee, Chung-Teh	-	√	√	√	√	√	√	√	√	√	√	√	√	√	-
Cai, Yu-Qin	√	√	√	√	√	√	√	√	√	√	√	√	√	√	2
Kao, Peng-Wen	-	-	√	√	√	√	√	√	√	√	√	√	√	√	-
Yu, Hong-Ding	-	-	√	√	√	√	√	√	√	√	√	√	√	√	-

Note 1: the number of spaces is adjusted according to the actual number.

Note 2: For those directors and supervisors meeting the following terms two years prior to be elected and during their term in office, a “√” is put in the space under the applicable term.

1. Not the Company’s employee, or employee of the Company’s affiliated companies.
2. Those who are not a director or supervisor of the Company’s affiliated companies (however, it does not apply to the independent director who is placed in accordance with this law or local law by the Company or its parent company or the subsidiary).
3. The natural-person shareholder who does not hold more than 1% of the total outstanding stocks in their name or the name of their spouse, their minor children or others, or the shares held in their name or the name of their spouse, their minor children or others do not make them one of the Company’s top ten shareholders.
4. Not the spouse, or the 2nd level kin or the 3rd level lineal relative of the parties mentioned in the previous 3 paragraphs.

5. Neither an employee, a director, nor a supervisor of corporate shareholders directly holding shares more than 5% of the total outstanding stocks; neither nor of the Company's top five shareholders, supervisors and employees.
 6. Neither a director, supervisor, manager, nor shareholder holds over 5% shares of a company or institution that is financing or doing business with the Corporation.
 7. The professional, proprietor of the sole proprietorship, partnership, company or institute, partner, director, supervisor, manager and their spouse who does not provide services or consultation for the Company or its affiliated enterprises in the sectors of business, legal affairs, finance and accounting, etc. However, it is not limited to the Remuneration Committee members prescribed by Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.
 8. Those who do not have the spouse relationship or are not within the 2nd level of kinship with any other directors.
 9. Those who are not subject to any of the conditions listed in Article 30 of the Company Act.
 10. Those who are not in the circumstance regulated in Article 27 of the Company Act where the government agency, corporate shareholder or their representative is elected.
- Note 3: Mr. Si-Zong Wu serves as an independent director in privately held company.

(2) Information of President, Vice President, Assistant President, Division Heads, and Branch Heads

Apr. 30, 2017 Unit: thousand share

Position	Nationality	Name	Sex (Female/Male)	Date of Appointment	Shareholding		Spouse and Minor Shareholding		Shareholding under the title of a 3rd party		Education & Past Positions	Current Positions at Other Companies	Spouse or 2nd level kin holding manager		
					Number of Shares	%(%)	Number of Shares	%(%)	Number of Shares	%			Title	Name	Relationship
President	R.O.C.	Chen, Pi-Hua	F	May 1, 2015	100	0.13	-	-	-	-	EMBA, Tongji University Ph. D of Keuka College, USA	note	-	-	-
President of Manufacturing	R.O.C.	Pan, Chung-Cheng	M	May 8, 2015	-	-	-	-	-	-	(Graduate School) EMBA, Business Administration Section, National Chengchi University Bachelor of Commerce, Dept. of Accounting, Soochow University	note	-	-	-
CFO of Financial & Accounting Dept.	Mainland China	Hu, Hui	F	Dec. 26, 2009	-	-	-	-	-	-	Dept. of Accounting, Shanghai University of Finance and Economics Master of Business Administration, Shanghai University of Finance and Economics Financial Director of Kelti (China) Daily Product Co., Ltd.	note	-	-	-
Vice President of Business Training Dept.	R.O.C.	Yeh, Mei-Feng	F	Dec. 26, 2009	-	-	-	-	-	-	Dept. of Economic Management, Huazhong University of Science and Technology Vice CEO, Technology Dept. of Kelti (China) Daily Product Co., Ltd.	note	-	-	-
Vice President of Legal Dept.	Mainland China	Wang, Yu-Hsia	F	Mar. 26, 2011	-	-	-	-	-	-	CEO of United States Cellular Corporation, China Director & Vice Chairperson of For You Healthware Technology Co., Ltd.	note	-	-	-

Note: Current Positions at the Company and Other Companies for President, Vice President, Assistant President, Division Heads, and Branch Heads:

Title	Name	Current Positions at the Company (Including Group's company)	Current Positions at Other Companies (i.e., company excluding from the Group)
President	Chen, Pi-Hua	(BVI) Chlitina Group Limited - Director (BVI) Chlitina International Limited - Director (BVI) Chlitina Intelligence Limited - Director Centre de Recherche et de Developpement de CHLITINA FRANCE EURL -Director Hong Kong Chlitina International Limited - Director (BVI) Chlitina Marketing Limited - Director Chlitina (China) Trade Limited - Executive Director Weishuo (Shanghai) Daily Product Limited - Executive Director (BVI) W-Amber International Limited -Director (BVI) W-Amber Marketing Limited – Director Hong Kong W-Amber International Limited-Director (BVI)W-Champion International Limited-Director (BVI) W-Champion Marketing Limited-Director Hong Kong W-Champion International Limited-Director (BVI) Crystal Asia International Marketing Limited Hong Kong Crystal Asia International Limited - Director W-Amber(Shanghai) Trade Limited - Executive Director W-Champion (Shanghai) Trade Limited – Executive Director Jingya (Shanghai) Trading Co., Ltd- Executive Director British Virgin IS. Chlitina Marketing Limited Taiwan Branch - Branch Manager British Virgin IS., Chlitina Intelligence Limited, Taiwan Branch- Branch Manager	(BVI) Wealthy Garden Investment Limited - Director (BVI) J&R International Holding Limited- Director (BVI) Pure Sky International Limited- Director Dida Business Administration Consultant Limited-Director Hsin Ke Biochemical Technology Co., Ltd. - Director San Yen So International Co., Ltd. - Director (BVI) Desheng Global Limited- Director Shanghai Cheng Yang Trading Co., Ltd. - Director Chlitina International Trade Limited Co., Ltd. - Supervisor Full Blooming Co., Ltd. – Director Jin yongji Co., Ltd. - Director

President of Manufacturing	Pan, Chung-Cheng	Weishuo (Shanghai) Daily Product Limited -President of Manufacturing British Virgin IS. Chlitina Marketing Limited Taiwan Branch -President of Manufacturing W-Champion (Shanghai) Trade Limited - President of Manufacturing Hong Kong Chlitina International Limited - President of Manufacturing	Zhaocang (Shanghai) Trading Co., Ltd. - President of Manufacturing Kelti (China) Daily Product Co., Ltd. - President of Manufacturing Jin Yen (Shanghai)Biotech Co., Ltd. - President of Manufacturing
CFO of Financial & Accounting Dept.	Hu, Hui	Hong Kong Chlitina International Limited - CFO Chlitina Marketing Limited - CFO Chlitina (China) Trade Limited - CFO Weishuo (Shanghai) Daily Product Limited - CFO W-Champion (Shanghai) Trade Limited - CFO Jingya (Shanghai) Trading Co., Ltd -CFO	None
Vice President of Business Training Dept.	Yeh, Mei-Feng	Chlitina (China) Trade Limited - Vice President	None
Vice President of Legal Dept.	Wang, Yu-Hsia	Chlitina (China) Trade Limited - Vice President Weishuo (Shanghai) Daily Product Limited -Vice President	None

iii. Remuneration of Directors, Supervisors, President and Vice Presidents in recent years

1. Remuneration of Director (Including Independent Director)

Dec. 31, 2016; Unit: NTD 1,000

Title	Name	Remuneration of Directors								Remunerations Earned as Employee of the Group and affiliates								(% of the total amount A, B, C, D, E, F and G to the after-tax net profit		Other remunerations from non-Salary subsidiary affiliates		
		Salary(A)		Pension(B)		Remuneration of Directors (C)		Professional fees (D)		% of the total amount A, B, C and D to the after-tax net profit		Salary, bonus, special expenditures and etc. (E)		Pension (F)		Employee remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Group		All companies in the financial report			The Company	All companies in the financial report
																Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
Chairperson	Chen, Pi-Hua																					
Director	Wealthy Garden Investment Limited																					
	Representative: Chen, Pei-Wen																					
Director	Zhu, Yi	-	9,979	-	-	7,862	-	534	-	-	2.51%	-	-	-	-	-	-	-	-	2.51%	-	
Director	Wu, Si-Zong																					
Director	Lee, Chung-Teh																					
Independent Director	Cai, Yu-Qin																					
Independent Director	Kao, Peng-Wen																					
Independent Director	Yu, Hong-Ding																					

Table of Range of the Remunerations

Dec. 31, 2016

Range of the Remunerations paid to each Director of the Corporation	Name of Directors			
	Sum of the 4 Remunerations (A+B+C+D)		Sum of the 7 Remunerations (A+B+C+D+E+F+G)	
	The company	All companies in the Consolidated financial report I	The company	All companies in the Consolidated financial report J
Less than NTD2,000,000		Chen, Pei-Wen、Zhu, Yi、Wu, Si-Zong、Lee, Chung-Teh、Yu, Hong-Ding、Kao, Peng-Wen、Cai, Yu-Qin		Chen, Pei-Wen、Zhu, Yi、Wu, Si-Zong、Lee, Chung-Teh、Yu, Hong-Ding、Kao, Peng-Wen、Cai, Yu-Qin
NTD2,000,000(incl.)~NTD5,000,000(excl.)				
NTD5,000,000(incl.)~NTD10,000,000(excl.)				
NTD10,000,000(incl.)~NTD15,000,000(excl.)		Chen, Pei-Wen		Chen, Pei-Wen
NTD15,000,000(incl.)~NTD30,000,000(excl.)				
NTD30,000,000(incl.)~NTD50,000,000(excl.)				
NTD50,000,000(incl.)~NTD100,000,000(excl.)				
Over NTD100,000,000				
Total		8 Persons		8 Persons

2 Remuneration of Supervisors: Not applicable

3. Remuneration Paid to President and Vice Presidents

Dec. 31, 2016 Unit: NTD 1,000

Title	Name	Salary (A)		Pension (B)		Bonus, special expenditures, etc. (C)		Employee bonus amount from earnings distribution (D)				(%)% of the total amount A, B, C and D to the after-tax net profit		Other remunerations from non-Salary subsidiary affiliates
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Group		All companies in the financial report		The Company	All companies in the financial report	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
Vice President of Financial & Accounting Dept.	Hu, Hui	-	16,112	-	404	-	-2,702	-	-	1,000	-	-	2.77%	-
Vice President of Business Training Dept.	Yeh, Mei-Feng													
President of Supply Chain	Pan, Chung-Cheng													
Vice President of Legal Department	Wang, Yu-Hsia													

Table of Range of the Remunerations

Dec. 31, 2016 Unit: NTD 1,000

Range of the Remunerations paid to each President and Vice Presidents of the Corporation	Name of President and Vice Presidents	
	The Company	All companies in the Consolidated financial report (E)
Less than NTD2,000,000	-	
NTD2,000,000(incl.)~NTD5,000,000(excl.)	-	Wang, Yu-Hsia、Hu, Hui,
NTD5,000,000(incl.)~NTD10,000,000(excl.)	-	Pan, Chung-Cheng、Yeh, Mei-Feng,
NTD10,000,000(incl.)~NTD15,000,000(excl.)	-	
NTD15,000,000(incl.)~NTD30,000,000(excl.)	-	
NTD30,000,000(incl.)~NTD50,000,000(excl.)	-	
NTD50,000,000(incl.)~NTD100,000,000(excl.)	-	-
Over NTD100,000,000	-	-
Total	-	4 persons

4. Employees' bonus paid to Managers

Dec. 31, 2016 Unit: NTD 1,000

	Title (note 1)	Name (note 1)	Stock bonus amount	Cash bonus amount	Total	(%)% of the total amount to the after-tax net profit
Managers	Vice President of Business Training Dept.	Yeh, Mei-Feng	-	1,000	1,000	0.14%
	President of Manufacturing	Pan, Chung-Cheng				
	CFO of Financial & Accounting Dept.	Hu, Hui				
	Vice President of Legal Dept.	Wang, Yu-Hsia				

(4) Elaboration on the analysis of the ratio of the total amount of the remuneration paid to the Company's directors, supervisors, president and vice president over the past two years as shown in the Company's and its consolidated statements to the after-tax net profit from single or individual financial reports and explanation of the Company's remuneration payment policy, standard and

combination, its procedure to set up remuneration standards and the correlation between its business performance and future risks.

1. The ratio of the total amount of the remuneration paid to the Company's directors, supervisors, president and vice president over the past two years to the after-tax net profit.

Unit: NTD 1,000

Item	2015		2016	
	Amount	%	Amount	%
Directors	26,857	2.30	18,375	2.51
President and Vice Presidents	29,343	2.51	20,218	2.77
Consolidated Gross Net Profit	1,167,087	100	730,790	100

2. Remuneration payment policy, standard and combination, the procedure to set up remuneration standards and the correlation between the business performance and future risks

- A. Remuneration payment to directors is based on the June 28, 2016 Articles of Incorporation amendments Article 90-2: when the company achieves profits for the year, up to 3% of the distributable earnings can be distributed to directors by ordinary resolution in the board meeting. However, if the company still has accumulated deficits, the profit shall be first set aside to make up for the previous losses.
- B. Renunciation of President and vice president: To be paid according to their post, seniority, performances, and contribution to the Company and by referring to the level of the pay adopted by the peer companies.

iv. Corporate Governance

(1) Operation of the Board of Directors

From the most recent fiscal year (2016) up to the date of this prospectus publication, there were 11 Board of Directors meetings (A), 9 in 2016 and 2 in 2017. The director attendances are as follow:

Title	Name	Number of times of actual attendance (B) (Note)	Number of times of attendance by authorized	Ratio of actual attendance (%) (B/A)	Remarks
Chairperson	Chen, Pi-Hua	11	0	100.00	
Director	Wealthy Garden Investment Limited	10	1	91.00	
	Representative: Chen, Pei-Wen				
Director	Zhu, Yi	9	2	82.00	
Director	Wu, Si-Zong	6	4	55.00	
Director	Lee, Chung-Teh	8	3	73.00	
Independent Director	Cai, Yu-Qin	11	4	100.00	
Independent Director	Kao, Peng-Wen	9	2	82.00	
Independent Director	Yu, Hong-Ding	9	2	82.00	

Other matters required to be recorded:

1. If any of the following circumstances happen in operation of the Board of Directors, the company shall state the date, period of the board, the contents of the motion, the opinions of all independent directors and the treatment of the company to the opinions of the independent directors

(1) For the matters listed in article 14-3 of the Securities and Exchange Act:

Board Meeting	Motion Contents	Matters Listed in Article 14-3 of the Securities and Exchange Act	Independent Shareholder's Opinion	Treatment of the company to the opinions of the independent directors:	Resolution
First meeting of the second	The subsidiary company Chlitina (China) proposed to purchase real estate	V	None	None	After the Chairman seeked opinions

Board in 2016 Feb.1, 2016	and make decoration				from all attending directors, the motion was approved
Second meeting of the second Board in 2016 Mar. 4, 2016	1. 2015 operation report, financial statements, and auditor's audit report draft 2. The company's invested subsidiary (Chlitina Group Limited) proposed to shift investment and set up subsidiary company.	V	None	None	After the Chairman sought opinions from all attending directors, the motion was approved
Seventh meeting of the second Board in 2016 Nov.8, 2016	The company proposed to adjust loans of capitals to other parties.	V	None	None	After the Chairman sought opinions from all attending directors, the motion was approved
First meeting of the second Board in 2017 Mar. 14, 2017	1. 2016 operation report, financial statements, and auditor's audit report draft 2.change of internal audit supervisor 3. amend part of articles of " Procedures for Acquisition or Disposal of Assets" 4. The subsidiary W-Amber(Shanghai) Trade Limited proposed to transfer	V	None	None	After the Chairman sought opinions from all attending directors, the motion was approved

	the equity of its invested company.				
	5. Change of appointment of the company's CPA in 2017				

Note: Chlitina (Shanghai) officially changed its name to Chlitina (China) Trade Limited in September of 2016.

- (2) Except the above matter, along with the resolution items of the board of directors for which independent directors had opposed or qualified opinions either on the record or in a written statement.
- 2. For execution of the recusal from directors for conflict of interest bills, the director's name, content of the motion, the reason for entering recusal and resolution participation status shall be described:
 - (1). Our company has established "board of directors' meeting management measures," in which the Article 22 states that when director or his/her representative has conflict of interests with the discussed subjects, the said or his/her representative should explain the essence of the conflict in the meeting and cannot join the discussion and cast any vote. In fact, the said director or his/her representative cannot be present during the discussion and voting or represent other director in voting.
 - (2). From 2016 up to the date of this prospectus publication, there was no conflict of interests issue present in any discussion.
- 3. Goals to enhance the Board of Directors for the current year or recent years (such as establishment of the Audit Committee to enhance information transparency, etc.) and assessment of the implementation status:
 - (1). The establishment of functional committees of board: Three independent directors are in Audit Committee and Remuneration Committee. The independent directors were first selected on Aug. 31, 2012, and the second term was reelected on June 17, 2015. The convenerS elected are: the convener of Audit Committee is Ms. Yuqin Cai who received Ph.D. in accounting from Shanghai University of Finance and Economics. The convener of Remuneration Committee is Ms. Pengwen Gao.
 - (2). Transparency and disclosure of information: Our Company is capable of preparing quarterly and annual financial statements, which are inspected/audited and certified by KPMG Accounting Firm. To comply with the disclosure regulation, our company discloses information on Market Observation Post System. Our company also discloses relevant business information on official company website in (tradition Chinese/simplified Chinese/English) under "Investment News" for shareholders and interest parties.
 - (3) As stated in the above question, the original part of the contract entrusted by KPMG (Verification / Verification) is ending as of December 31, 2016; and from January 1, 2017, it is approved by PwC Taiwan (Verification / Examination).
- 4. Note: The term for directors of the second Board (including independent directors) is from June 17, 2015 to June 16, 2018 only.

(2) Operation of Audit Committee

From the most recent fiscal year (2016) up to the date of this prospectus publication, there were 11 (A) Audit Committee meetings, in 2016 and 2 in 2016. The attendances of the independent directors are as follow:

Title	Name	Number of times of actual attendance (B)(Note)	Number of times of attendance by authorized	Ratio of actual attendance (%) (B/A)	Remarks
Independent Director	Cai, Yu-Qin	11	0	100.00	
Independent Director	Yu, Hong-Ding	9	2	82.00	
Independent Director	Kao, Peng-Wen	9	2	82.00	

Other matters required to be recorded:

1. If any of the following circumstances happen in operation of the Audit Committee, the company shall state the date, period of the board, the contents of the motion, the resolution of the Audit Committee and the treatment of the company to the opinions of the Audit Committee.

(1) For the matters listed in article 14-5 of the Securities and Exchange Act:

Board Meeting	Motion Contents	Matters Listed in Article 14-3 of the Securities and Exchange Act	Independent Shareholder's Opinion	Treatment of the company to the opinions of the independent directors:	Resolution
First meeting of the second Board in 2016 Feb.1, 2016	The subsidiary company Chlitina (China) proposed to purchase real estate and make decoration	V	None	None	After the Chairman sought opinions from all attending directors, the motion was approved
Second meeting of the second Board in 2016	1. 2015 operation report, financial statements, and auditor's audit report draft 2. The company's	V	None	None	After the Chairman sought opinions from all attending directors, the

Mar. 4, 2016	invested subsidiary (Chlitina Group Limited) proposed to shift investment and set up subsidiary company.					motion was approved
Seventh meeting of the second Board in 2016 Nov.8, 2016	The company proposed to adjust loans of capitals to other parties.	V	None	None		After the Chairman sought opinions from all attending directors, the motion was approved
First meeting of the second Board in 2017 Mar. 14, 2017	1.2016 operation report, financial statements, and auditor's audit report draft 2.change of internal audit supervisor 3.amend part of articles of " Procedures for Acquisition or Disposal of Assets" 4.The subsidiary W-Amber(Shanghai) Trade Limited proposed to transfer the equity of its invested company. 5.Change of appoiment of the company's CPA in 2017	V	None	None		After the Chairman sought opinions from all attending directors, the motion was approved

Note: Chlitina (Shanghai) officially changed its name to Chlitina (China) Trade Limited in September of 2016.

(2) Except for the above matters, other resolutions not proved by the Audit Committee but approved by two thirds of the entire board of directors

2. For execution of independent director's recusal for conflict-of-interest bills, the independent director's

name, bill content, the reason for entering recusal and resolution participation status shall be described: No such thing exist

3. Status of the communication of independent directors with the internal audit supervisor and CPAs (e.g. the significant matters, methods and results of the communication for the Company's financial and business status): After establishment of the Audit Committee on Aug. 31, 2012, our company had been amending procedures for acquisition or disposal of assets, procedures for loaning capital to others, procedures for endorsement and guarantee. All amendments have been approved by the Audit Committee. Moreover, our company's internal auditor supervisor would report to the independent directors about annual internal audit program during Audit Committee that is held at least once every quarter. The internal audit supervisor needs to attend and report in the Audit Committee meeting about the execution results, performance of deficiency improvement and other financial matters. Up to the date of this prospectus publication, there is no significant deficiency in execution of internal control.

(4) Note: The second committee elected Ms. Yuqin Cai to be the convener of Audit Committee. The term of the second Audit Committee is from June 17, 2015 to June 16, 2018.

(3) Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
1. Has the Company set up and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for listed or OTC Companies?	V		The Company has already set up its "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", and disclosed them on the Market Observation Post System.	none
2. The company's equity structure and shareholders' equity (1) Has the Company set up its internal operation procedure to handle shareholders' recommendation, release their doubts, solve any arising disputes and take care of	V		(1) The Company has already covered the operation procedure for handling shareholders' recommendations, doubts and disputes and litigation affairs in its "Corporate Governance Best Practice Principles", and set up the litigation and non-litigation agent, spokesperson, deputy spokesperson and stock affairs related units to have dedicated personnel handle relevant matters. At the same time, the	none

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
litigation issues, and followed the procedure to do the implementation?			Company shall coordinate relevant units to execute the tasks as required.	
(2) Has the status of the Company's control of the name list of the major shareholders who actually control the Company, and the final controllers of the major shareholders?	V		(2) Provide the actual information through the stock affairs agency, routinely track the details every month and periodically disclose by law the shareholding status of its directors, managerial officers and the major shareholders holding more than 10% of the Company's shares. In addition, the Company has also adequately controlled the name list of the major shareholders and the final controllers of the major shareholders.	none
(3) Has the Company established and executed its risk control and fire wall mechanism with its affiliated enterprises?	V		(3) The Company has already instituted the "Management Regulations Governing Transactions with Related Parties", and has established and executed the mechanism of risk control and fire wall with its affiliated enterprises, in which financial independence is the principle for the Company's business relationship with its affiliated enterprises.	None
(4) Has the Company set up any internal rules to prohibit the Company's personnel from trading securities according to the information undisclosed in the Market?	V		(4) The Company has already set up the "Management Regulations for Prevention of Insider Trading" to specifically prohibit the Company's personnel from trading securities according to the information undisclosed in the market.	none
3. Constitution and duties of the board of directors: (1) Has the board of directors had any	V		(1) The Company's directors all have varying kinds of expertise in respective fields, so they can provide diversified recommendations for the	none

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
diversification plan for the constitution of its members and has it carried out the diversification?			Company's development and operating.	
(2) Other than establishing the Remuneration Committee and Audit Committee by law, Has the Company also voluntarily set up other kinds of functional committees?		V	(2) Other than establishing the remuneration committee and Audit Committee by law, the Company's remaining governance operation is taken care of by other departments according to their respective power and authority, for which no other functional committees are set up. In the future, the Company will assess the necessity and establish any functional committee if required.	As explained in the left column
(3) Has the Company set up the regulations governing performance evaluation of the board of directors? What is the evaluation method? and whether the performance evaluation is annually and periodically conducted?		V	(3) The Company has yet to set up the regulations for evaluating performance of the board of directors and determine the evaluation method. In the future, the regulations shall be instituted if required	As explained in the left column
(4) Has the Company periodically evaluate the independence of its CPA(s)?	V		(4) As stipulated, the Company evaluates the independence of its CPA(s), and acquires the CPA's independence statement every year. The evaluation results are submitted to the board of directors for resolution.	none
4. Has the listed or OTC company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance	V		The Company has followed the regulations to set up the "Corporate Governance Promotion Group" as the designated which would report to the Board on a regular basis.	

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
affairs (Including but not limited to providing formation for Directors and the Supervisors to exercise their job, abiding by the laws to operate affairs related to the Board of Directors' meeting and the Shareholders' meeting, making company registration and change registration, preparing records of Board of Directors and Shareholders' Meeting etc.)?				
5. Has the Company set up any channels to communicate with its stakeholders (including but not limited to shareholders, employees, customers and suppliers), established a stakeholder exclusive area on the Company's website, and properly responded to the important issues of corporate social responsibility concerned by stakeholders?	V		<p>(1) The Company has a spokesperson and a deputy spokesperson, and any related information has been announced on the Market Observation Post System as stipulated. Meanwhile, it has also established a stakeholder exclusive area to respond to a variety of issues put forth by stakeholders in a timely way.</p> <p>(2) The Company has set up the hotlines and e-mail address as the channels to communicate with its employees. It has also periodically made account reconciliation with its suppliers, so as to keep abreast of the transactions with its suppliers. In addition, it has set up a dedicated unit to keep good communication with its suppliers.</p> <p>(3) The Company has the customer service hotline. It is taken charge by a dedicated unit to keep good communication with consumers.</p>	none

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
6. Has the Company commissioned its shareholder meeting affairs to a professional stock affairs service agency?	V		The Company has commissioned the stock affairs service division of Fubon Securities Co., Ltd. to represent the Company to handle a variety of the Company's stock affairs.	none
7. Information publication (1) Has the Company set up its website and disclosed its financial, business and corporate governance information?	V		(1) The Company has announced and declared its financial business and corporate governance affairs by law and simultaneously disclosed them on the Market Observation Post System.	none
(2) Has other information disclosure methods adopted by the Company? (E.g. set up an English website, designate dedicated personnel to collect and disclose information, fulfill the spokesperson system and post the proceeding of the institutional investor meeting on the Company's website, etc.)	V		(2) The Company has dedicated personnel to collect and release a variety of the Company's information, has followed the stipulation to configure a website to disclose the information reported by the spokesperson for future reference and announce institutional investor meeting related information. At the same time, an English website has also been set up.	none
8. Does the company have other important information which may help understand the operation of corporate governance? (including but not limited to employee's rights and interests, employee care, investor relations, supplier relations, the rights of interested	V		<u>Employee rights and interests and employee care</u> To protect its employee's rights and interests, other than the legal protection, the Company has also taken good welfare measures and had diversified interaction channels with its employees. The welfare measures are as follows: Insurance: group commercial insurance. Remuneration: performance bonus,	none

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
parties, status of director and supervisor's advanced studies, execution of the risk management policy and risk measurement standard, execution of the customer policy, and liability insurance purchased by the Company for its directors and supervisors, etc.):			<p>employee's bonus, three major festival gifts (prizes) and year-end bonus.</p> <p>Welfare: employee birthday monetary gifts, wedding, funeral and birth allowances, year-end banquet activities and a friendly work environment for pregnant women.</p> <p>Health and sustainability: personnel division's dinner parties.</p> <p>Educational training: hold internal educational training, e.g. new entrant orientation training, pre-service educational training, on-the-job training, etc., and subsidize employees for external educational training, so as to encourage colleagues' advanced studies.</p> <p><u>Investor relations:</u> Disclose information on the Market Observation Post System or the corporate website, so investors can be fully aware of the corporate operating status. On the other hand, the Company has also maintains the relations with its investors via its shareholders' meetings, institutional investor meetings and the communication between its spokesperson and investors.</p> <p><u>Supplier relations:</u> With the principle of equality and reciprocation, the Company has established a partnership with its suppliers, so as to stabilize its supply chains.</p> <p><u>Interested parties' rights:</u> In terms of liability for its customers: The Company has provided safe and good quality products, valued the opinions from its customers and franchisees, and taken immediate measures to handle customer complaints for franchisees, so as to satisfy requirements of respective sectors.</p>	

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
			<p>In terms of liability for shareholders: One of the goals endeavored by the Company is to protect shareholders' maximum rights and interests.</p> <p><u>Status of directors' advanced studies:</u> The Company takes an aggressive attitude to encourage directors' advanced studies, and it has also invited professional agencies to provide professional courses in the Company.</p> <p><u>Status of managerial officers' advanced studies:</u> The Company takes the initiative to offer the information on advanced study courses to its managerial officers, helps arrangement of the courses, and opens its director advanced study program to its managerial officers.</p> <p><u>Status of execution of risk management policies and risk measurement standards:</u> The Company keeps an eye on the major risk items which can influence its operating, so as to ensure that all of the risks can be controlled under an acceptable scope.</p> <p><u>Status of execution of customer policies:</u> With the customer first operating philosophy, the Company insists on providing consumers and its franchisees with best products.</p> <p><u>Status of purchase of liability insurance for the Company's directors and supervisors:</u> The Company has currently purchased the liability insurance for its directors, supervisors and managerial officers.</p>	
9. Please explain the improvements based on the corporate governance		V	The Company has referred to the corporate governance self-evaluation items for its management.	As explained in the left column

Item	Implementation Status (note 1)			Variance from corporate governance best-practice principles for TWSE/GTSM listed companies and the reasons
	Yes	No	Summary	
evaluation result made by Taiwan Stock Exchange in the last year, and put forward matters to be strengthened with priority and measures for putting forward priority to those items which are not improved. (Note 2)			<p>According to the corporate governance evaluation result, explain the improvement:</p> <ol style="list-style-type: none"> 1. The record and proceeding of meeting is completed 2. The unit of the stakeholder contact window is clear 3. The company's internal rules are disclosed on the website- Prevention of Insider Trading Management, Integrity Code and Corporate Social Practice <p>Matters to be strengthened with priority and measures for putting forward priority to those items which are not improved:</p> <ol style="list-style-type: none"> 1. Priority of strengthening items: Information of company's website reveals some measures to strengthen matters. 2. Measures for strengthening items: The company will assess the appropriate implementation of the way to enhance the effectiveness of corporate governance implementation 	

Note 1: Whether check "Yes" or "No," brief explanation is required in the provided space.

Note 2: Considering that from April 2015, Taiwan Stock Exchange Co., Ltd. will expose each year corporate governance evaluation results of the listed/OTC companies, the company will reply on the aforesaid evaluation results to strengthen some matters of the company, which will help to improve the corporate governance of the company.

(4) In the case that the company has set up the remuneration committee, the organization, responsibilities and operations shall be disclosed:

1. Composition of Remuneration Committee

Position	Criteria Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Independence Qualification (note 2)	Number of other public companies	Remarks (note 3)

		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	concurrently serving as an independent director	
Independent Director	Kao, Peng-Wwen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent Director	Cai, Yu-Qin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	Yu, Hong-Ding	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-

Note 1: Position should be “director,” “independent director,” or “others.”

Note 2: For those directors and supervisors meeting the following terms two years prior to be elected and during their term in office, a “✓” is put in the space under the applicable term.

1. Not the Company’s employee, or employee of the Company’s affiliated companies.
2. Not a director or supervisor of the Company or its affiliated companies but the independent directors of the company or its parent or subsidiary companies that are set up according to this law or the local laws.
3. The natural-person shareholder who does not hold more than 1% of the total outstanding stocks in their name or the name of their spouse, their minor children or others, or the shares held in their name or the name of their spouse, their minor children or others do not make them one of the Company’s top ten shareholders.
4. Not the spouse, or the 2nd level kin or the 3rd level lineal relative of the parties mentioned in the previous 3 paragraphs.
5. Neither an employee, a director, nor a supervisor of corporate shareholders directly holding shares more than 5% of the total outstanding stocks; neither nor of the Company’s top five shareholders, supervisors and employees.
6. Neither a director, supervisor, managerial officer, nor shareholder holds over 5% shares of a company or institution that is financing or doing business with the Corporation.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultations to the company or to any affiliate of the company, or a spouse thereof; and
8. Not been a person of any conditions defined in Article 30 of the Company Act.

Note 3: If the member is a director, please explain if they comply with Paragraph 5 of Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded over the Counter”.

2. Duties of the Remuneration Committee

Duties of the Remuneration Committee should to exercise the due care of a good administrator to faithfully perform the following duties and make proposals to be discussed in the Board of Directors meetings:

- (1) Formulating and regularly reviewing performance evaluation and salary compensation policies, systems, standards, and structures for directors and managers.
- (2) Regularly reviewing directors' and managerial officers' salary and remuneration.

3. Operation status of the Remuneration Committee

- (1) The Company's Remuneration Committee has 3 members.
- (2) The term of this committee: June 17, 2015 to June 16, 2018. From the most recent fiscal year (2016) up to the date of this prospectus publication, there were 4 Remuneration Committee meetings, 3 in 2016 and 1 in 2017. The qualifications and attendances of the committee members are as follow:

Title	Name	Number of times of actual attendance (B)	Number of times of attendance by authorized	Ratio of actual attendance % (B/A)	Remarks
Convener	Kao, Peng-Wen	4	-	100.00	Independent Director
Member	Cai, Yu-Qin	4	-	100.00	Independent Director
Member	Yu, Hong-Ding	3	1	75.00	Independent Director

Other Required Notes for Remuneration Committee:

1. In the case that the board of directors does not adopt or modify the recommendations from the Remuneration Committee, the board meeting date, term, bill content, board meeting resolution results and the Company's handling of remuneration committee's opinions shall be described (if the remuneration adopted by the board of directors is better than what was recommended by the remuneration committee, the difference and reason shall be stated): None
2. For the resolutions adopted by the remuneration committee, if any of the committee members had opposed or qualified opinions either on the record or in a written statement, the remuneration committee meeting date, term, bill content, opinions from all the members and the Company's handling of the members' opinions shall be described: None
3. Note: The second committee elected Ms. Pengwen Gao to be the convener of the second remuneration committee. The term of the second remuneration committee is from June 17, 2015 to June 16, 2018.

(5) Social responsibility fulfillment status

Item	Implementation Status(note 1)			Variance from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-List Company
	yes	no	Summary (note 2)	
1. Implementation of Corporate Governance (1) Has the Company set up its corporate social responsibility policy and system to review the implementation effect?	V		(1) The Company has set up its "Corporate Social Responsibility Best Practice Principles", in order to aggressively carry out its corporate social responsibility to balance the environment and meet the global trends for the society and corporate governance development	none
(2) Has the Company periodically held social responsibility educational training?	V		(2) Through various meetings, the Company has persistently promoted its corporate management philosophy and social responsibility obligations.	none
(3) Has the Company set up a unit to exclusively or concurrently promote corporate social responsibility, for which the board of directors shall authorize the high-rank management to handle the related cases and report the handling status to the board of directors?	V		(3) Currently, the Company's corporate governance promotion panel is in charge of the promotion of corporate social responsibility, in which the board of directors has designated a convener and deputy convener to execute corporate social responsibility related affairs. The discovered issues shall be reported to the Chairperson, and the handling situation shall be reported to the board of directors at least once a year.	none
(4) Has the Company set up a reasonable remuneration policy, combined it with the employee performance evaluation policy and the corporate social responsibility policy and established a specific and effective reward and punishment	V		(4) The Company has set up its employee work rules (including remuneration and performance incentive regulations) to specifically define the remuneration and reward and punishment standards and share its profits with its employees, in the hope of a joint growth of the colleague remuneration and corporate operating and compliance	none

Item	Implementation Status(note 1)			Variance from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-List Company
	yes	no	Summary (note 2)	
system?			with its corporate social responsibility.	
2. Development of a sustainable environment (1) Has the Company devoted to enhancement of utilization efficiency of various resources, and the Company's use of the renewable materials having low impact on the environment?	V		(1) The Group has adopted the following measures to enhance its resource utilization efficiency: 1. Recycling of the office's copy paper or both-side printing of the copy paper. 2. Replace the illumination lamps with LED lamps step by step, so as to reduce electricity consumption. 3. Recycled paper is requested to gradually replace ordinary cartons used for transportation, whereas suppliers are also requested to replace the printing oil ink with the environmentally friendly soy ink, in order to reduce the environment's burden.	none
(2) Has the company set up the proper environmental management systems according to its industrial characteristics?	V		(2) The Group's subsidiary Weishuo (Shanghai) Daily Product Limited garnered the ISO14001 international environmental system certification at the end of 2014, and has established its environmental management system.	none
(3) Has the Company paid attention to the influence of climate change on operating activities, to execute greenhouse gas inventory and set up its strategies for energy conservation and carbon reduction and greenhouse gas reduction?	V		(3) In conjunction with its acquisition of ISO14001 certification, the Company has already set up its energy conservation and carbon reduction policies, and fulfill them in execution, for instance: 1. Consecutive production in a same production line within the feasible scope, which may reduce the water consumption	none

Item	Implementation Status(note 1)			Variance from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-List Company
	yes	no	Summary (note 2)	
			<p>required in cleaning of the production line switch, and simultaneously, generate less waste water.</p> <p>2. Except for required illumination lamps and ventilation facilities, other lights and air conditioning shall be turned off during the lunch break time, or when 80% of employees are not in the office.</p>	
3. Social welfare maintenance (1) Has the Company abided by the related regulations, international human right convention to set up related management policies and procedures?	V		(1) According to labor related regulations and relevant personnel rules, the Company has set up its employee work rules to protect its employees' legal rights and interests.	none
(2) Has the Company set up an appeal mechanism and channel for its employees and handle them properly?	V		(2) The Company has already established its employee appeal system, and set up the hotlines and e-mail address as the channels for employees to lodge their complaints. The appeal cases shall be handled by the dedicated unit designated by the corporate governance promotion panel, and the handling results shall be reported to the management.	none
(3) Has the Company provided its employees with a safe and healthy working environment and implemented periodical education about safety and health?	V		(3) The Company has periodically inspected and repaired firefighting and health facilities and emergency doors (ladders), provided its employees with the annual health examination and held labor safety and health educational training to offer its employees a safe and healthy working environment.	none

Item	Implementation Status(note 1)			Variance from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-List Company
	yes	no	Summary (note 2)	
(4)Has the Company set up its employee periodical communication mechanism, and notified the employees under the reasonable method of the operating change which may possibly result in material influence?	V		(4) The Company has continued to communicate with employees in order to better understand how its employees recognize and comprehend the Company's policies, and publicized the Company's operating guidelines and orientation in a timely way, so as to have a joint growth of the Company and its employees.	none
(5)Has the Company set up any effective career capacity development training plan for its employees?	V		(5) The Company has provided internal and external training courses and seminars for its employees to develop their career. In so doing, other than executing their tasks, the employees may also acquire the techniques required for their promotion.	none
(6)Has the Company instituted any consumer interest protection policy and complaint procedure in relation to its R&D, procurement, production, operation and service processes?	V		(6) The Company has the consumer service hotline, which is taken charge by the dedicated customer service unit for handling of customer complaints in a timely way.	none
(7)Has the Company complied with related laws and regulations and international standards in terms of marketing and labeling of its products and services?	V		(7) The Company's product marketing and labeling are examined by its dedicated unit, and will not go on sale until complying with the laws and regulations stipulated by the government of the place where the product sells.	none
(8)Prior to developing a business relationship with any of its suppliers, did the Company evaluate if the supplier in question left any records of impact	V		(8) The Company has valued environmental and social protection, and the suppliers having the environmental protection certification may be selected by the Company as	none

Item	Implementation Status(note 1)		Summary (note 2)	Variance from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-List Company
	yes	no		
on the environment and society?			priority. In addition, the Company will also watch out if a supplier impacts the environment and society, and the results will be used as the important reference for future cooperation.	
(9) Do the contracts between the Company and its major suppliers cover the clause required to terminate or remove a contract at any time when the supplier is involved in any violation of the Company's corporate social responsibility policy which significantly impacts the environment and society?	V		(9) The Company's contracts signed with its suppliers have specifically prescribed that, in case of any violation by the supplier which results in any vicious impact or punishment by the competent authorities, the Company is entitled to immediately discharge the contract.	none
I. Enhancement of Information Disclosure (1) Has the Company disclosed the data related to its relevant and reliable corporate social responsibility in its website and Market Observation Post System	V		The Company has disclosed the information in relation to corporate responsibility on its corporate website and in its annual report and prospectus.	none
V. If the Company has set up its corporate social responsibility best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-List Company", please describe the difference between the operation and the instituted principles: : None differences				
VI. Other important information which may help understand the operation of corporate social responsibility: 1. Environmental protection: The Company has followed statutory laws and regulations to execute control and management of environmental protection. 2. Community participation, social contributions, social services and social welfare: By using its brand awareness, the Company has devoted its efforts to combining social welfare and fulfilling its share of obligation and responsibility for corporate operating.				

Item	Implementation Status(note 1)		Summary (note 2)	Variance from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-List Company
	yes	no		
3. Consumer rights and interests: The Company has the customer service hotline which is used to handle customer complaints. 4. Human rights: The Company gives equal employment opportunity to its employees regardless of their gender, religion or party. In addition, the Company has also built a good working environment to protect its employees from discrimination and harassment. 5. Safety and health: For safety and health issues, the Company has complied with statutory laws and regulations to execute safety and health control and management. 6. Other social responsibility activities: The activities such as donations for disaster relief, fulfillment of its share of social responsibility and caring for remote children's education.				
VII. If the "Corporate Social Responsibility Report" of the company is verified by related certification bodies, please describe: Not applicable				

Note 1: Whether check "Yes" or "No," brief explanation is required in the provided space.

Note2: Instead of an explanatory memorandum, Companies that have prepared Corporate Social Responsibility Report can refer to it with page index.

(6) Status of the Company’s fulfillment of ethical management and adoption of measures

Item	Implementation Status(note 1)			Variance from Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
1. Set up ethical management policies and schemes (1) Has the Company explicitly indicated ethical management policies in the Company’s regulations, methods and documents for outsiders, and the promise of aggressive fulfillment of the commitment made by the board of directors and the management?	V		(1) The Company has set up its “Ethical Management Best Practice Principles” and submitted them to the board of directors for adoption. The Principles have turned out to be the commitment for the board of directors and the management to fulfill the execution after adoption by the board of directors.	none
(2) Has the Company instituted the scheme for prevention of dishonest behavior, stipulated schemes’ operation procedure, conduct guide and violation punishment and appeal system and carried out them?	V		(2) The Company has set up its “Ethical Management Operation Procedure and Conduct Guidelines”, which specifically define relevant operation procedures and violation punishment, and the implementation has been carried out accordingly.	none
(3) Has the Company taken any prevention measures for the operating activities with a higher degree of risk in the dishonest conduct defined in Paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or within the business scope?	V		(3) The Company has set up relevant internal control systems and rules for the operating activities where the unethical conduct is likely to occur, and, when executing any audit, the audit personnel have also reinforced their examination of such activities, in an attempt to reduce occurrence of the unethical conduct.	none
2. Fulfillment of ethical				

Item	Implementation Status(note 1)			Variance from Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
<p>management</p> <p>(1) Has the Company evaluated the integrity record of its business counterparties and has it explicitly included an integrity conduct clause in the contracts with its business counterparties?</p>	V		<p>(1) Prior to any transaction, the Company will assess the relevant records of the transaction counterparty, and the results will be used as the important reference for future cooperation. At the same time, the following is stated in the contract signed with any of its suppliers: The Company's employees are not allowed to request or receive kickbacks from the supplier, whereas the supplier shall not offer or take any bribe, cash gift or give any entertainment for any reason. In case of any violation, the Company may terminate the procurement contract and the supplier shall be liable for any resulting losses and expenses.</p>	none
<p>(2) Has the Company set the board of directors to promote the dedicated (or part-time) unit for corporate integrity promotion, and reported to the board of directors for the execution status?</p>	V		<p>(2) Currently, the Company's corporate governance promotion panel is in charge of the promotion of ethical management related affairs, in which the board of directors has designated a convener and deputy convener to promote related businesses, and report the progress to the board of directors every half year.</p>	none
<p>(3) Has the Company set up its policy to prevent interest conflict, provided proper channels for opinion expression and carried out them?</p>	V		<p>(3) The Company covers the principle to prevent conflict of interests in its "Ethical Conduct Codes". In addition, it also includes the channels to report any conflict of interests in its "Ethical Management Operation Procedure and Conduct</p>	none

Item	Implementation Status(note 1)			Variance from Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
			Guidelines”, so all of the Company’s colleagues can comply with the rules to carry out the implementation.	
(4) Has the Company set up its effective accounting system, internal control system for its ethical management, and periodically auditing conducted by the Company’s internal unit and commissioned by CPA to execute the auditing?	V		(4) When designing its accounting system and internal control system, the Company already took ethical management requirements into account. When conducting internal auditing, the Company’s audit unit also simultaneously examines the efficacy. On the other hand, according to the company listing laws and regulations, the Company has appointed a CPA to annually execute the internal control and review, so as to endure efficacy of the Company’s internal control system.	none
(5) Has the Company periodically held internal and external educational training for the ethical management?	V		(5) The Company has set up its “Ethical Management Operation Procedure and Conduct Guidelines” to build its ethical management in the corporate culture, and promoted such concept in various meetings and educational training, in an attempt to carry out the implementation.	none
3. The operation status of the Company’s reporting system (1) Has the Company set up a specific reporting and incentive system, established convenient reporting channels and assigned appropriate dedicated handling personnel in	V		(1) The Company specifically covers the reporting and incentive system in its “Ethical Management Operation Procedure and Conduct Guidelines”, and the reporting affairs are handled by the dedicated unit designated by the corporate governance promotion	none

Item	Implementation Status(note 1)			Variance from Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
accordance with the reported persons?			panel.	
(2) Has the Company set up the investigation standard operation procedure and relevant confidentiality mechanism to take care of the reported matters?	V		(2) The Company specifically covers the operation procedure for the reporting affairs and relevant confidentiality mechanism in its "Ethical Management Operation Procedure and Conduct Guidelines"	none
(3) Has the Company taken any measures to protect the whistleblower from any improper punishment as a result of their reporting?	V		(3) As stipulated by the Company, the whistleblower and reporting content shall be kept confidential, so as to protect the whistleblower from any improper punishment.	none
4. Enhancement of information disclosure (1) Has the Company set up a corporate website that publishes information relating to company's corporate conduct and ethics.	V		The Company has set up its corporate website and disclosed the information regarding its corporate culture and operating directions on the website, whereas it has also announced its Ethical Management Principles on the Market Observation Post System.	none
5.If the company had made its ethical corporate management best practice principles according with the ethical corporate management best practice principles for listed/OTC companies, please describe the difference between the operation and the instituted principle: No differences.				
6.Other information being helpful to know the ethical corporate management of the company: (1)The company created many job opportunities and set up employees' welfare committee, implements the pension system, provides the staff education and training courses and staff (relatives) group insurances, arranges regular health checks, and attaches importance to harmonious labor relations. (2) Public donations: The Company has continued to make contributions when the benefit of the grant permitting (3) When trading with manufacturers, the Company always upholds the principle of good faith and				

Item	Implementation Status(note 1)			Variance from Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
promote the company's philosophy of business integrity to the manufacturers.				

Note 1: Whether check "Yes" or "No," brief explanation is required in the provided space.

(7) In the case that the Company has already set up its corporate governance principles and other related regulations, the enquiry method shall be disclosed.

Our Company has formulated Corporate Governance Best Practice Principles, which is disclosed on our company website.

Our company's IR Investor News web address: <http://www.chlitinaholding.com/>

(8) Other important information which may enhance the understanding about the Company's governance operation status: None

(9) Implementation status of the internal control system,

1. Statement of Internal Control System

Chlitina Holding Limited
Statement of Internal Control System

Date: Mar. 4, 2016

Based on the results of self-examination, I would like to state the following regarding the Internal Control System of the Company for the year 2015:

1. The Company ascertains that the establishment, implementation and maintenance of the internal control system are the duty and responsibility of the Company's board of directors and managerial officers and the Company has already established such a system. Its aim is to provide a reasonable assurance that the effectiveness and efficiency of business operations (including profitability, performance and security of assets), report the achievement of the goal for reliability, timeliness, transparency and compliance with related rules and relevant laws and regulations.
2. Any internal control system has its inherent limitations, no matter how well it was designed. An effective internal control system can only provide a reasonable assurance that the above mentioned three targets were accomplished and due to changes in environments and circumstances, the effectiveness of the internal control system may change as well. Provided that the Company's internal control system has a self-monitoring mechanism, and when a deficiency is identified, the Company immediately takes a corrective action.
3. Based on the items determining the effectiveness of the internal control system under the provisions of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Guidelines"), the Company determines whether the design and implementation of the internal control system are effective or not. The items determining the effectiveness of the internal control system adopted by the above mentioned "Guidelines" were based on the process of the management control, and divide the internal control system into five components: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision operations. Each component contains several items. For the aforementioned items, please refer to the provisions of the "Guidelines".
4. The Company has already adopted the above mentioned items that determine the effectiveness of the internal control system and for it to examine the effectiveness of the Company's design and implementation of the internal control system.
5. Based on the findings of the preceding paragraph, the Company believes that, as of Dec. 31, 2015, the internal control system (including the supervision and management of the subsidiaries), including the degree of attainment of its operational effectiveness and efficiency goals, report

effectiveness of the design and execution of the internal control system in relation to reliability, timeliness, transparency and compliance with related rules and relevant laws and regulations. the reliability of the financial reports and related regulatory compliance related to the design and implementation of the internal control system, was effective and it can reasonably ensures the achievement of the above mentioned objectives.

6. This statement will become an important part of the Company's annual report and prospectus and it will be disclosed to the public. Should there be any false information, omissions or other illegalities in the above public disclosure, it will involve legal liabilities as cited in Article 20, Article 32, Article 171 and Article 174 of the Securities Exchange Act.
7. This statement was approved by the board of directors of this Company on Mar. 4, 2016. Of the 8 directors present (including 3 independent directors and 2 persons, who were authorized by the directors), there were no dissenting votes and the contents of this statement was approved by all present and we are hereby making this declaration.

Chlitina Holding Limited



Chairperson: Chen, Pi-Hua



President: Chen, Pi-Hua



2. Audit Report of Internal Control Systems

Audit Report of Internal Control Systems

We have completed the audit of the attached statement issued by Chlitina Holding Limited and its subsidiaries on March 4, 2016 that the internal control systems in relation to their external financial reports and asset safety protection were effectively designed and executed on December 31, 2015. Maintenance of effective internal control systems and evaluation of their validity are the responsibility of the management of the Company, and our responsibility is to express an opinion on the validity of the Company's internal control systems and the preceding companies' internal control system statement based on the audit results.

We planned and executed the audit tasks in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and generally accepted auditing standards, in order to reasonably make sure whether the preceding internal control systems could maintain their validity in all material respects. The audit tasks included awareness of company's internal control systems, the course to evaluate the validity of the management's overall internal control system assessment, assessment of the validity of internal control system design and execution on a test basis, and other audit procedures considered necessary by us. We believe that our audit provides a reasonable basis for our opinion.

Any internal control system can have its innate limitation, so the preceding internal systems of Chlitina Holding Limited and its subsidiaries may also likely to fail in preventing errors or corruption or detecting those that have occurred. In addition, the environment may change in the future, so the internal control systems may not be able to maintain their validity in the future. As such, the effective internal control systems applied in the current period are not necessarily valid in the future.

In our opinion, according to the internal control effective judgment items of the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the internal control systems in relation to Chlitina Holding Limited and its subsidiaries and their external financial reports as well as asset safety protection designed and executed on December 31, 2015 could all maintain validity in all material respects. The statement issued by Chlitina Holding Limited and its subsidiaries on March 4, 2016 that the internal control systems in relation to the preceding companies, their external financial reports and protection of asset safety were effectively designed and executed presents fairly in all material respects.

(10) The numbers of penalty for unlawful behaviors of the company and its internal employees and the numbers of penalty for violating company internal regulations, and the numbers of

significant deficiency and improvement from the most recent fiscal year up to the date of this prospectus publication: None.

(11) Major resolutions adopted by shareholders' meetings and board of directors' meetings in the latest year and as of the date of printing of the annual report:

1. Major resolutions and execution status adopted by regular shareholders' meeting and extraordinary meeting:

Date	Category of the meeting	Items of major resolutions	Execution status
June 28, 2016	Regular shareholders' meeting	1. Partial amendment for Articles of Incorporation	Resolution was passed and implemented in accordance with the resolution of the shareholders' meeting. The Articles of Incorporation had been sent to the Cayman Islands to complete the registration of the amendments to the Articles of Association
		2. 2015 Annual Business Report	Chairperson notified all participated shareholders.
		3. 2015 Annual Audit Committee Audit Report	Chairperson notified all participated shareholders.
		4. 2015 report on the Distribution of Employees 'and Directors' Compensation .	Chairperson notified all participated shareholders The distribution of compensation is: Staff salaries are NT \$ 28,870,435 and the Directors are paid up to NT \$ 13,833,084. The compensation is paid in cash.
		5. 2015 annual Related Party Disclosures	Chairperson notified all participated shareholders
		6. Report of the execution of the Company's 1st time insurance of unsecured convertible corporate bond in the Republic of China	Chairperson notified all participated shareholders. Until end of April 2016, there is no conversion of corporate bonds
		7. Partial amendment for Guidelines for the Adoption of Codes of Ethical Conduct	Chairperson notified all participated shareholders
		8. Report of 2015 annual business report and financial statement.	Chairperson notified all participated shareholders and be recognized. The Company has an operating income of NT \$ 4,394,264 thousands in 2015,

			net profit for the current period is NT \$ 1,167,087 thousands, and the profit per common share is NT \$ 14.68.
		9. Recognition of 2015 Profit Distribution Plan.	<p>Chairperson notified all participated shareholders and be recognized. The Company allocated NT\$794,923,500 from the distributable earnings for shareholders' bonus, in which the cash dividend is NT\$794,923,500 (Cash dividend up to NT \$ 10 per share) This time of cash dividend shall be calculated according to the distribution ratio and rounded to the nearest dollar. The cash dividend less than one NT dollar will be accumulated and transferred to other revenue. The ex-dividend base day is Aug. 10, 2016;</p> <p>The conversion period for convertible corporate bonds is from July 18, 2016 to August 10, 2016, and issued a cash dividend on September 8, 2016.</p>
		10. Resolution to extend "Directors and Officers Liability Insurance."	The plan has been approved by shareholders' meeting and executed. The same as the last year, FINPRO Practice Marsh Ltd., Taiwan Branch applies for renewal of the insurance with AIG & Chubb

2. Major resolutions adopted by board of directors' meetings:

Date	Term	Items of major resolutions
Feb.01, 2016	Board of Directors	1. Adoption of the case of the company's subsidiary, Chlitina (China), proposing to buy and decorate the real estate.
. ,Mar.04, 2016	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the related party disclosure. 2. Report of the execution of the Company's 1st time insurance of unsecured convertible corporate bond in the Republic of China 3. Adoption of the 2015 Internal Control Statement 4. Adoption of the 2015 Internal control project review 5. Adoption of the 2015 business report, financial statement and manuscripts of the accountant audit report 6. Adoption of the Proposal for Distribution of 2015 Profits 7. Adoption of the case of investing in subsidiary, Chlitina Group Limited, to reinvest and set up a subsidiary 8. Adoption of the transactions of the company and its subsidiaries with the new related parties 9. Adoption to extend "Directors and Officers Liability Insurance." by the company. 10. Adoption of calling 2016 shareholders' general meeting by the company
Mar 21, 2016	Board of Directors	1. Adoption of the company's subsidiary, Chlitina (China), proposing to buy and decorate the real estate.
May. 12,2016	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the CPA review of 2016 First Quarter Consolidated Financial Statement. 2. Aware of the related party disclosure. 3. Aware of the proposal of shareholders with more than 1% of company share: None 4. Aware of the execution of the Company's 1st time insurance of unsecured convertible corporate bond in the Republic of China: There is no convertible corporate bond 5. The recognition of public welfare donation case 6. The adoption of Amendments to part of the articles of the Company's "Ethical Management Operation Procedure and Conduct Guidelines" 7. Adoption of addition of Related Party Disclosure to our company and its subsidiaries. 8. Adoption of the case of investing in the reinvestment case of the subsidiary, Chlitina Group Limited. 9. Adoption of the proposed Adjustment of Estimate Pay Bases of 2016 Directors Employees. 10. Adoption of 2015 distribution of employees and directors' remuneration. 11. Adoption of 2015 distribution of directors' remuneration. 12. Adoption of 2015 distribution of managers' remuneration of the

		company. 13. Adoption of calling the (second) shareholders' general meeting of 2016.
July 07, 2016	Board of Directors	1. Adoption of our company's cash dividend distribution benchmark date and payment date. 2. Adoption of addition of Related Party Disclosure to our company and its subsidiaries. 3. Adoption of the case of investing in the reinvestment case of the subsidiary, Chlitina Group Limited
Aug. 12, 2016	Board of Directors	1. Aware of the CPA review of 2016 Second Quarter Consolidated Financial Statement. 2. Aware of the related party disclosure 3. Aware of the execution of the Company's 1st time insurance of unsecured convertible corporate bond in the Republic of China 4. Aware of the operation of the company's social responsibility and the execution of the ethical management operation procedure. 5. Adoption of the partial amendment of Corporate Code of Social Responsibility of the Company.
Nov. 08, 2016	Board of Directors	1. Aware of the CPA review of 2016 Third Quarter Consolidated Financial Statement 2. Adoption of Related Party Disclosure 3. Aware of the execution of the Company's 1st time insurance of unsecured convertible corporate bond in the Republic of China 4. Adoption of addition of Related Party Disclosure to our company and its subsidiaries. 5. Adoption of changes in the use of funds raised by the Company's first unsecured convertible corporate bonds in the Republic of China 6. Adoption of the proposal to adjust the Loaning Capital to Others among our company subsidiaries
Nov. 29, 2016	Board of Directors	1. Adoption of "The approach of Li & Fung Co., Ltd. to buy back the shares of the Company's staff " which is made in accordance with the provisions of Article 28-2 of the Securities Exchange Act and the procedures for the repurchase of the Company's shares by the listed company, and execute the repurchase of the shares of the company.
Dec. 15, 2016	Board of Directors	1. Adoption of the 2017 internal audit plan 2. Adoption of the case of investing in the reinvestment case of the subsidiary Chlitina Group Limited 3. Adoption of addition of Related Party Disclosure to our company and its subsidiaries 4. Adoption of the proposed 2017 Operation Plan s 5. Adoption of the proposed 2017 Operating Budget 6. Adoption of the proposed Estimate of 2017 Directors Employees Pay Bases. 7. Adoption of the proposed 2016 managerial officer's year-end bonus
Mar. 14, 2016	Board of Directors	1. Aware of Related Party Disclosure. 2. Aware of the execution of the Company's 1st time insurance of

		<p>unsecured convertible corporate bond in the Republic of China</p> <ol style="list-style-type: none"> 3. Aware of the execution of repurchase of the shares of the company. 4. Adoption of the proposal to extend “Directors and Officers Liability Insurance.” 5. Adoption of the proposed 2016 Internal Control Declaration. 6. Adoption of the change of internal audit supervisor. 7. Adoption of the change of internal acting spokesperson 8. Adoption of 2016 annual Business Report, Financial Statement, and Audit Report. 9. Adoption of 2016 Profit Distribution Plan. 10. Adoption of addition of Related Party Disclosure to our company and its subsidiaries 11. Adoption of the proposal to remove the non-compete clause for new managerial officers. 12. Adoption of amendment to part of our company’s “Operating Procedures Acquisition or Disposal of Assets”. 13. Adoption of the transfer of shares of invested company through the subsidiary Wei-hu (Shanghai) Trade Co., Ltd. 14. Adoption of the change of 2017 audit accountant and the regarding fee &the independence of the audit accountant. 15. Adoption of the amendment to part of the Transfer pricing policy of the related party 16. Adoption of calling the 2017 regular shareholders’ meeting
May.09,2017	Board of Directors	<ol style="list-style-type: none"> 1. Aware of the proposal of 2017 Q1 Key Business Report 2. Aware of the proposal of 2017 Q1 Consolidated Financial Statement 3. Aware of the proposal of 2017 Q1 Internal Audit Business Report 4. Aware of the proposal of Reports of Related Party’s Transactions 5. Aware of the proposal of Report of Reinvestment into Subsidiary W-Amber(Shanghai) Trading Corp., Ltd. 6. Aware of the proposal of Report of Reinvestment into Subsidiary Hong Kong Crystal Asia International Marketing Corp., Ltd. 7. Aware of the proposal of Reviewing more than 1% Shareholders by the Board 8. Aware of the execution of the Company’s 1st time insurance of unsecured convertible corporate bond in the Republic of China 9. Adoption of the amendment to part of our Articles of Incorporation 10. Adoption of amendments to part of the articles of the Company’s “Ethical Management Operation Procedure and Conduct Guidelines” 11. Adoption of new addition reinvestment of the subsidiary, Wei-hu (Shanghai) Trade Co., Ltd. of the company 12. Adoption of the equity transfer case of subsidiary(Hong Kong Chlitina International Limited) to adjust the investment structure 13. Adoption of the cash return and capital reduction case of six subsidiaries including (BVI) Chlitina Group Limited to be in line with operational planning and enhance the efficiency of the use of funds

		<p>14. Adoption of the proposal of loaning Capital to other parties among the subsidiary Wei-hu (Shanghai) Trade Co., Ltd.</p> <p>15. Adoption of the intention to apply for a financing amount of US \$ 20,000,000 to the bank to increase the flexibility of capital dispatch and facilitate the raising of Short-term working capital</p> <p>16. Adoption of amendment to part of the “Organizational Rules of the Remuneration Committee” and the “Remuneration Committee Management Measures”.</p> <p>17. Adoption of 2016 distribution of directors’ remuneration and the employees’ compensation.</p> <p>18. Adoption of 2016 distribution of directors’ remuneration.</p> <p>19. Adoption of 2016 distribution of managers’ remuneration .</p> <p>20. Adoption of the appointment of new managers</p> <p>21. Adoption of the change of the managers’ salary</p> <p>22. Adoption of the call for holding 2016 Regular Shareholders’ Meeting..</p>
--	--	--

Note: Chlitina (Shanghai) officially changed its name to Chlitina (China) Trade Limited in September of 2016.

(12) The major content of the different opinions having been recorded or declared in writing from any Director (including Independent Director) on major resolutions adopted by board meetings in the latest year and as of the date of printing of the annual report: No different opinions

(13) From the most recent fiscal year up to the date of this prospectus publication, the resigned status of company Chairperson, President, Accounting Director, Financial Director, Internal Audit Director and R&D Director are as follows:

Position	Name	Arrival date	Date of dismissal	Reason of dismissal or resignation
Audit Supervisor	Shi, Miaoqing	November 11, 2014	March 14, 2017	Internal job adjustment

v. Information Regarding Fee for CPAs

As of Dec. 31, 2016;

Unit: NTD1,000

Accounting Firm	CPA	Audit Fee	Non-Audit Fee					Whether CPA’s audit period covers the whole fiscal year			Remarks
			System Design	Industry and business registration	Human Resource	Other	Sub-total	Yes	No	Audit Period	
KPMG	Huang,	9,152	0	0	0	370	370	V	-	-	note

Po-Shu and Yu, An-Tian										
------------------------------	--	--	--	--	--	--	--	--	--	--

Note: 1. Our company does not release the record listed in the item 11 of paragraph 5 of Article 10 in the Information to be Published in Annual Reports of Public Companies.

2. Our company's CPA fee was first approved by the audit committee and then was submitted to the Board of Directors. The Board of Directors authorized the Chairperson to negotiate with the CPA.

(1) Those that have paid audit fee to the CPA or the firm of the CPA or those whose affiliated enterprises' non-audit fee is more than 25% of their total audit fee shall disclose the amounts of their audit fee and non-audit fee and the content of their non-audit services: None

(2) Those that have replaced their accounting firm and had less amount of their audit fee in the year after the replacement compared to the year prior to the replacement shall disclose the amounts of their audit fee incurred in the year prior to replacement and the year after replacement, and the reason for the decrease: The audit fee before the replacement was NT\$9,152 thousand, and after the replacement is NT\$8,680 thousand. The reason of the replacement is for internal management and operational planning needs.

(3) Those whose audit fee reduced by more than 15% from the previous year shall disclose the amount and ratio of the decrease and the reason for it: None

vi. Information on CPA replacement

1. About the ex-accountant

Date of replacement	Mar.14, 2017		
The reason and explain	Internal management and operational planning needs.		
Note whether the appointer or accountant terminates the contract or does not accept the appointment	Party Situation	Accountant	Appointer
	The appointment is voluntarily terminated by		√

	does not accept and extend the appointment		
If the former CPA issued an audit report during the most recent 2 years containing an opinion other than an unqualified opinion, state the opinion and reason	None		
Is there any disagreement with the issuer?	None		Accounting principles or practices
			Disclosure of financial reports
			The audit scope or steps
			Others
	None	Explanation: None	
Other disclosure items (According to article 10-1.4 to 1.7 of this principle shall be disclosed)	None		

2. About the successor accountant

Office Name	PwC Taiwan
Accountant Name	Lin, Junyao and Zhang, Shuqiong
Date of appointment	March 14, 2017
Before the appointment, consulting matters and results of consults the new CPA regarding the accounting treatment of or application of accounting principles to a specific transaction and the type of audit opinion that might be rendered on the financial report	None
The successor accountant's written	None

disagreement opinions with the former accountant	
--	--

3. Reply of the former accountant to the matters in Article 10-6.1, 10-6.2.3 of this Code: None

vii. For the Company's chairperson, president and managerial officers in charge of financial and accounting affairs, and those who worked in the firm or affiliated enterprise of the CPA in the latest year: None.

viii. Net change in shareholding and net change in shares pledged by Directors, Supervisors, Managerial officers and Shareholders with 10% shareholding or more

(1) The director, supervisor, managerial officer or shareholder holding more than 10%:

Unit: thousand shares

Title	Name	2016		As of Apr. 30, 2017 (Note)	
		Increase (decrease) on Shareholding	Increase (decrease) on pledged shares	Increase (decrease) on Shareholding	Increase (decrease) on pledged shares
Chairperson President	Chen, Pi-Hua	-	-	100	-
Director and major shareholder	Wealthy Garden Investment Limited	-	-	-	-
Representative of Directors	Chen, Pei-Wen	-	-	-	-
Director	Zhu, Yi	-	-	-	-
Director	Wu, Si-Zong	-	-	-	-
Director	Lee, Chung-Teh	-	-	-	-
Independent Director	Cai, Yu-Qin	-	-	-	-
Independent Director	Kao, Peng-Wen	-	-	-	-
Independent Director	Yu, Hong-Ding	-	-	-	-
Independent Director	Pan, Hong-Zheng	-	-	-	-
CFO	Hu, Hui	-	-	-	-
Vice President of Legal Dept.	Wang, Yu-Hsia	-	-	-	-
Vice President of Business Training Dept.	Yeh, Mei-Feng	-	-	-	-

Note : Information update to the stop transfer date which is April 30, 2017

(2) Equity transfer: None

(3) Information of equity pledge: None

ix. Information on the fact that the top 10 shareholders are the related parties of each other, in a spousal relationship or within 2nd level of kinship as referred.

Apr. 30, 2017 Unit: share;

Name	Holding share		Holding share of spouse and minor children		Shares held by means of another party's name		Names and relationship of any of the top 10 shareholders are the related parties of each other, in a spousal relationship or within 2 nd level of kinship		Remarks
	Number of Shares	Rate of holding share	Number of Shares	Rate of holding share	Number of Shares	Rate of holding share	Name	Relationship	
Cathay United Bank entrusted with the custody account Wealthy Garden Investment Limited Representative: Chen, Wu-Kang	28,056,000	35.29%	-	-	-	-	Cathay United Bank entrusted with the custody account Gold Dragon (Asia) Limited Cathay United Bank entrusted with the custody account Baifu (Asia) Limited	The same Chairperson	-
							Cathay United Bank entrusted with the custody account Museparc Co., Ltd.	The spouse of the Chairperson	-
							CTCB Bank entrusted with the custody account J & R International Holding Co., Ltd.	1st level of kinship of the Chairperson	-
							CTCB Bank entrusted with the custody account Capital Faith Development Limited	2nd level of kinship of the Chairperson	-
Cathay United Bank entrusted with the custody account Gold Dragon (Asia) Limited Representative: Chen, Wu-Kang	4,058,200	5.11%	-	-	-	-	Cathay United Bank entrusted with the custody account Wealthy Garden Investment Limited Cathay United Bank entrusted with the custody account Baifu (Asia) Limited	The same Chairperson	-
							Cathay United Bank entrusted with the custody account Museparc Co., Ltd.	The spouse of the Chairperson	-
							CTCB Bank entrusted with the custody account J & R International Holding Co., Ltd.	1st level of kinship of the Chairperson	-
							CTCB Bank entrusted with the custody account Capital Faith Development Limited	2nd level of kinship of the Chairperson	-
CTCB Bank entrusted with the custody account J & R INTERNATIONAL HOLDING CO., LTD.	3,383,202	4.26%	-	-	-	-	Cathay United Bank entrusted with the custody account Wealthy Garden Investment Limited Cathay United Bank entrusted with the	1st level of kinship of the Chairperson	-

Representative: Pi-hua Joanna Chen							custody account Gold Dragon (Asia) Limited Cathay United Bank entrusted with the custody account Baifu (Asia) Limited Cathay United Bank entrusted with the custody account Museparc Co., Ltd. CTCB Bank entrusted with the custody account Capital Faith Development Limited		
CTCB Bank entrusted with the custody account Shou Hsin Development Limited Representative: Chao, Cheng-Yu	2,355,617	2.96%	-	-	-	-	CTCB Bank entrusted with the custody account J & R INTERNATIONAL HOLDING CO., LTD. Cathay United Bank entrusted with the custody account Wealthy Garden Investment Limited Cathay United Bank entrusted with the custody account Gold Dragon (Asia) Limited Cathay United Bank entrusted with the custody account Baifu (Asia) Limited Cathay United Bank entrusted with the custody account Museparc Co., Ltd.	1st level of kinship of the Chairperson 2 nd level of kinship of the Chairperson	
Cathay United Bank entrusted with the custody account Baifu (Asia) Limited Representative: Chen, Wu-Kang	2,188,600	2.75%	-	-	-	-	Cathay United Bank entrusted with the custody account Wealthy Garden Investment Limited Cathay United Bank entrusted with the custody account Gold Dragon (Asia) Limited Cathay United Bank entrusted with the custody account Museparc Co., Ltd. CTCB Bank entrusted with the custody account J & R INTERNATIONAL HOLDING CO., LTD. CTCB Bank entrusted with the custody account Capital Faith Development Limited	The same Chairperson The spouse of the Chairperson 1st level of kinship of the Chairperson 2nd level of kinship of the Chairperson	-
Standard Chartered Bank entrusted with the custody account Kuonia Fund - low-risk emerging market stocks Stock	1,648,189	2.07%	-	-	-	-	-	-	-
Chase Bank entrusted with the custody account Comprehensive	1,027,339	1.29%	-	-	-	-	-	-	-

Retirement Trust Fund (emerging market stocks)									
CTCB Bank entrusted with the custody account B & V International Holdings Co., Ltd. Investment Account Representative: Chen, Chao-Ching	904,950	1.14%	-	-	-	-	Valerie International Limited	The same Chairperson	-
Yuanta Life Insurance Co., Ltd.	849,000	1.07%	-	-	-	-	-	-	-
HSBC bank governor of the province of Copenhagen Canada	822,000	1.03%	-	-	-	-	-	-	-

x. The shares of a same re-investment business held by the Company, its directors, supervisors, managerial officers and the business directly or indirectly controlled by Company, and details of consolidated shareholding ratios:

Dec.31, 2016 Unit: share;

Re-investment business	The company's investment		Investments of directors, supervisors, managerial officers and the business directly or indirectly controlled by Company		Syndicated Investments	
	Number of Shares	Rate of holding share	Number of Shares	Rate of holding share	Number of Shares	Rate of holding share
Chlitina Group Limited	3,656,707,348	100%	-	-	3,656,707,348,	100%
Chlitina International Limited	17,000,001	100%	-	-	17,000,001	100%
Chlitina Intelligence Limited	1	100%	-	-	1	100%
W-Amber International Limited	12,000,000	100%			12,000,000	100%
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	500	100%	-	-	500	100%
Hong Kong Chlitina International Limited	62,150,001	100%	-	-	62,150,001	100%
Chlitina Marketing Limited	11,622,882	100%	-	-	11,622,882	100%
W-Amber Marketing Limited	12,000,000	100%	-	-	12,000,000	100%
Hong Kong W-Amber International Limited	92,800,000	100%	-	-	92,800,000	100%
W-Champion International Limited	3,000,000	100%	-	-	3,000,000	100%
W-Champion Marketing Limited	3,000,000	100%	-	-	3,000,000	100%

Re-investment business	The company's investment		Investments of directors, supervisors, managerial officers and the business directly or indirectly controlled by Company		Syndicated Investments	
	Number of Shares	Rate of holding share	Number of Shares	Rate of holding share	Number of Shares	Rate of holding share
Hong Kong W-Champion International Limited	2,950,000	100%	-	-	2,950,000	100%
Chlitina (China)Limited	(Note)	100%	-	-	(Note)	100%
Weishuo 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) Tarde Limited	(Note)	100%	-	-	(Note)	100%

Note: Refers to a limited company, no number of Shares held.

IV. Capital raising status

i. Capital and Stocks

Mar. 31, 2017 Unit: 1,000 shares: NTD1,000

(1)Sources of Capital Stock

Period	Price at issuance	Authorized capital		Paid in capital		Remarks		
		Number of Shares	Amount (NTD)	Number of Shares	Amount (NTD)	Sources of Capital Stock	Non-cash assets in lieu of stock payments	Other
July 2012	NT.10	200,000	2,000,000	2,000	20,000	It was established by the entire body of shareholders of Chlitina Group Limited. By contributing to the capital of the shares of Clitina Group Limited, the shareholders have acquired the consideration commitment of the new shares issued when establishment.		
Aug. 2012	NT.10	200,000	2,000,000	66,800	668,000	Increased the capital by capital surplus NTD648,000 thousand through the seasoned equity offering	—	note 2
Nov. 2013	NT.168	200,000	2,000,000	75,707	757,070	Increased the capital by cash NTD1,496,376 thousand through the seasoned equity offering	—	note 3
Aug. 2014	NT.10	200,000	2,000,000	79,492	794,924	Increased the capital by earnings NTD37,854 thousand through the seasoned equity offering	-	note 4

Note 1: Our company was established on July 3, 2012. The capital stock was set to be NTD20,000 thousand. The per-share face value was NTD10.

Note 2: On Aug. 31, 2012, the extraordinary shareholders meeting decided to increase the capital by capital surplus NTD648,000 thousand through the seasoned equity offering .

Note 3: The Board of Directors meeting on Aug. 17, 2012 and extraordinary shareholders' meeting on Aug. 23, 2012 decided to list on Taiwan stock exchange. Thus, premarket public offering was processed, and the IPO cash capital had an increase of NTD1,496,376 thousand.

Note 4: The Board of Directors meeting on Mar. 12, 2014 and Shareholders' Meeting on June 19, 2014 passed our company's 2013 earnings sharing distribution plan.

Mar. 31, 2017 Unit: 1,000 shares

Type of Stock	Authorized capital			Remarks
	Outstanding stock	Unissued stock	Total	
Registered common stocks	79,492	120,508	200,000	—

(2) Shareholder Structure

Apr. 30, 2017

Shareholder structure volume	Government institution	Bank	Mainland Chinese	Other corporation	Individuals	Foreign institutions and foreigners	Total
Number of persons	-	-	-	51	7,4855	115	7,651
Number of holding share (thousand shares)	-	-	-	3,594,548	23,727588	52,170,214	794,92,350
Ratio of holding share	-	-	-	4.52	28.85	65.63	100

(3) Equity Distribution: Each par valued at NTD10

Apr. 30, 2017

Holding share classification	Number of shareholders	Holding share (shares)	Ratio of holding share (%)
1~ 999	734	83,338	0.10
1,000~ 5,000	5,983	10,754,271	13.52
5,001~ 10,000	535	4,151,407	5.22
10,001~ 15,000	123	1,541,723	1.93
15,001~ 20,000	70	1,276,548	1.60
20,001~ 30,000	64	1,630,680	2.05
30,001~ 50,000	53	2,147,160	2.70
50,001~ 100,000	47	3,252,621	4.09
100,001~ 200,000	15	2,124,292	2.67
200,001~ 400,000	8	2,074,933	2.61
400,001~ 600,000	5	2,315,030	2.91
600,001~ 800,000	4	2,847,250	3.58
800,001~ 1,000,000	3	2,575,950	3.24
Over 1,000,001	7	42,717,147	53.73
Total	7,651	79,492,350	100.00

(4) Major Shareholders: All shareholders with a share of 5 percent or greater

Apr. 30, 2017 Unit: 1,000 shares

Major shareholders	shares	Holding share	Ratio of holding share (%)
Cathay United Bank entrusted with the custody account Wealthy Garden Investment Limited investment account		28,056	35.29
Cathay United Bank entrusted with the custody account Gold Dragon (Asia) Limited investment account		4,058	5.11

(5) Stock Market Prices, Net Values, Earnings, Dividends, and Related Information

Unit: NTD; 1,000 shares:

Item		Year	2015	2016	As of Q1 of 2017
		Market price per share (Note1)	High		383.00
Low			142.00	121.00	137.50
Average			262.54	208.62	155.87
Net value per share (Note2)	Retroacted before appropriation		49.65	44.78	42.96
	Retroacted to after appropriation (NTD)		39.65	Note8	Note8
EPS (Note3)	Weighted average shares		79,492	79,477	78,802
	EPS (NTD)	Before adjustment	14.68	9.19	1.18
		After adjustment	10.00	Note8	Note8
Dividend per share	Cash dividend(NTD)			6.50(Note 8)	-
	Stock dividend issuance (NTD)	Shares allocated from earnings		0.00(Note8)	-
		Stocks for capital reserve		-	-
	Unpaid stock dividend accumulated (Note4)			-	-
ROI analysis	P/E ratio (Note5)		15.25	Note8	-
	Dividend ratio (Note6)		22.38	Note8	-
	Yield of cash dividend (Note7)		4.47%	Note8	-

Note 1: The highest and lowest market prices were listed. The average market price was calculated based on each year's transaction value and volume. Data Source: Taiwan Security Exchange.

Note 2: Filled based on the number of shares outstanding and next year's distribution plan decided by Shareholders' meeting.

Note 3: For those that are required to be retroacted and adjusted as a result of the stock dividend issuance, the EPS before and after adjustment shall be listed.

Note 4: For equity securities, if the release terms require that the unreleased stock dividend of the year in question shall be accumulated and not be released until the year having surplus, the unpaid stock dividend accumulated as of the year in question shall be disclosed respectively.

Note 5: $P/E \text{ ratio} = \text{each share's average closing price of the year in question} / \text{EPS}$

Note 6: $\text{Dividend ratio} = \text{each share's average closing price of the year in question} / \text{each share's cash dividend}$

Note 7: $\text{Yield of cash dividend} = \text{each share's cash dividend} / \text{each share's average closing price of the year in question.}$

Note 8: Approved by the Board of Directors on Mar. 4, 2017, the case to be resolved by the Regular Shareholders Meeting.

(6) The Company's dividend policy and its execution status:

1. The dividend policy set by the Articles of Incorporation

Based on the Cayman Islands Company Act, security listing rules, and the dividend policy in our Articles of Incorporation, company cannot distribute dividend or bonus when there is no profit. While in listing, the dividend and bonus distribution should be carried out in New Taiwan Dollars. When there is profit at the end of the fiscal year, the company should set 1 to 5% for employee's compensation, up to 3% for director's compensation. Employee compensation can be distributed in stocks or cash. However, when there are still accumulative losses, make-up amount should be set aside first. The execution of employees and directors remuneration should be based on the Cayman Islands Company Act, security listing rules, and our Articles of Incorporation. When the company achieves profits for the year, tax should be paid or set-aside first to makeup for the previous losses. Next, legal surplus reserves and special surplus reserves should be set-aside. If there is still any profit left, it's the "distributable earnings of the year." This amount can be distributed by ordinary resolution in the shareholders' meeting. The shareholders' dividend should be at least 10% of the distributable earnings, and the cash dividend cannot be lower than 10% of the distributed dividend.

2. The dividend distribution planned to be discussed in this time of shareholders' meeting :

Our company's 2016 Profit Distribution Program was adopted in the Board of Directors meeting on Mar. 14, 2017 and is scheduled to be recognized in the shareholders' meeting on June 28, 2017. The program plans to distribute cash dividend NTD6.5 per share to shareholders, after deducting 797,000 shares of treasury holdings as of March 31, 2017, the company supposes to propose cash dividend of NT \$ 511,519,775 from distributable surplus. If a variety of terms set up for this time of earnings distribution are affected by subjective and objective factors, change

in competent authorities' ratification or other situations, such as the Company's repurchase of treasury stock, exercise of employee stock ownership, share assignment, transfer or deletion, capital increase or others, the Company's outstanding shares and shareholders' dividend distribution ratio may therefore be impacted. Hence, it is proposed to have the board of shareholders authorize the board of directors to handle such case with full authority.

3. Significant Changes in the Dividend Policy to be expected: None.

(7) Effects of the stock dividend issuance on Company Operating Performance and Earnings Per Share, as Resolved in the Shareholders' Meeting Resolution:

According to MOF Securities and Futures Commission's Supplement posted on Feb. 1, 2000, No. (89)-Tai-tsai-cheng-(1)-tzu-ti-00371, our company does not need this disclosure because the 2016 Finance Prediction was not prepared or announced.

(8) Remuneration of Employees, Directors and Supervisors

1. Percentage or Range Remuneration of Employees, Directors and Supervisors stipulated at Articles of Incorporation: According to the above (6) the Company's dividend policy and its execution status
2. If the actually distributed amount has any difference from the amount estimated for the current period's employee bonus and director and supervisor remuneration and calculated according to distribution of the shares of the stock bonus, it will be handled as follows: For this time period, the actual distribution amount is consistent with calculation bases for number of stock distribution to the employees and the estimation bases for employees', directors', and supervisors' remuneration. Thus, it is not applicable. However, if shareholders' meeting later decides there is a discrepancy between the estimate and actual value, the discrepancy is listed as gains or losses for the current year.
3. If the recognized expenses are different from the employees' cash and stock remuneration and supervisors' remuneration, the discrepancy, reason for discrepancy, and the solution for the discrepancy should be disclosed. Number of the discrepancy incident: none.
4. The ratio of the employee stock remuneration amount resolved by the board of directors to the aggregation amount of after-tax net profit of the current period individual or single financial report and the total employee remuneration amount: Not applicable
5. To consider distributing earning per share to employees, directors, and supervisors: It's not applicable because the remuneration for employees, directors, and supervisors are expenses.
6. If the employee remuneration and director and supervisor remuneration actually distributed in the previous year have any difference from the recognized amount from actual distribution, the difference amount shall be indicated and the reasons and handling status shall also be described: No such as matters.

(9) The Company's repurchase of its shares:**Mar.31, 2017**

Order of buyback period	The first (period)
Buyback motive	Transfer shares to employees
Buyback period	Nov.30, 2016~Jan.29, 2017
Buyback price	130 per share~180 per share When the stock price is lower than the down-line of the limit, the company shall keep on executing the buyback action.
Buyback type and amount executed	Common shares 797,000 shares
Buyback amount in cash	NT\$ 116,562,738
The amount of shares canceled or transferred	-
Accumulated shares held of the company	797,000 shares
The rate of accumulated shares held of the company compared with total amount of shares listed (%)	1.00%

ii. Issuance of corporate bonds**Issuance of corporate bonds**

Type of Corporate Bond	The first time Unsecured convertible bonds within the R.O.C.
Date issued (processed)	Nov. 13, 2015
Par value	NTD100,000
Place of issuance and transaction	R.O.C.
Price on assurance	Issued by the par value
Total amount	NTD900,000 thousand
Interest rate	Coupon rate 0%
Period	3 years, matured on Nov. 13, 2018
Custodian bank	Not applicable
Depository	Trust Dept. of ICBC Bank
Underwriter	Fubon Securities Co., Ltd.
Certified Lawyer	Lawyer Hung, Tung-Hsiung, Chien Yeh Law Offices
CPA	KPMG CPA Huang, Po-Shu, CPA Yu, An-Tian

Type of Repayment	Cash pay back in face value at the maturity, excluding conversion, early buy back, or early sell back by issuing and conversion regulations.
Outstanding Principal	NTD900,000 thousand
Terms for Redemption or Early Settlement	<p>(1) If the closing price of our company’s common stock is more than (equal to) 30% of the conversion price for a continuous 30 days between a day and a month after our company issued the convertible company bond (Dec. 14, 2015) to 40 days before the maturity (Oct. 4, 2018), our company can send a 30-day “Notification to Bond Buyback” via registered mail within 30 business days to bondholders listed at least 5 business days before the mailing day. (The time period is based on the mailing day, and the maturity day is the reference day for the Bond buyback. Also, the said period must not be the stop conversion period in Article 10. The bondholders who take possession of the bonds in any reason later will be informed by public announcement only.) A letter will be sent to OTC for public announcement. At maturity day, all bonds will be bought back in cash.</p> <p>(2) If the outstanding balance of our company’s convertible company bond is 10% lower than the total original issued amount between a day and a month after our company issued the convertible company bond (Dec. 14, 2015) to 40 days before the maturity (Oct. 4, 2018), our company can send a 30-day “Notification to Bond Buyback” via registered mail on any day after the occurrence to bondholders listed at least 5 business days before the mailing day. (The time period is based on the mailing day, and the maturity day is the reference day for the Bond buyback. Also, the said period must not be the stop conversion period in Article 10.</p>

		The bondholders who take possession of the bonds in any reason later will be informed by public announcement only.) A letter will be sent to OTC for public announcement. At maturity day, all bonds will be bought back in cash.
Restricted Article		None
Institute of Credit Rating Institute, Date of Rating, Rating Result for the Corporate Bonds		Not applicable
Other rights attached	As of the date of printing of the annual report, the amount of converted common shares (exchange or subscription), overseas depository receipts or other securities	None
	Method of issuance and conversion (exchange or subscription)	Between a day and a month after our company issued the convertible company bond (Dec. 14, 2015) to the maturity (Nov. 13, 2018), bondholders can ask security trading company to notify Taiwan Depository and Clearing Corporation (TDCC) to make requests to our company's stock transfer agency for converting the convertible bonds to common shares of our company to our based on regulations XIV, XV, XIX, and XX, except when during company's: (1) the block closure period; (2) stock dividend issuance book closure date, cash dividend book closure date, or 15 business days before book closure day for the cash injection stock option to the right distribution reference day; (3) capital reduction reference day to one day before the capital reduction stock exchange.
The impact of stock issuance,		(1) Assuming bondholders requested to convert all our

<p>conversion, exchange, or stock option on possible stock right dilution and shareholders' equity</p>	<p>company's issued convertible bonds to our company's common shares based on our company's bond issuance and conversion regulations.(The amount issued is NTD900,000 thousand and the convertible price was NTD288 .Because of the distribution of 2015 cash dividend, the company distributed cash dividend and adjust the conversion price to NTD271.7), according to the least conversion price, the largest share conversion number is 3,312 thousand which is calculated based on our company's outstanding shares 79,492 thousand shares, as of Mar.31,2016. (Not included the treasury shares). The maximum equity dilution ratio is 4.00%..</p> <p>(2) Based on the published 2107 first quarter financial statement, the net value per share is NTD42.96 (NTD3,414,988 thousand and 79,492 thousand shares). Assuming bondholders' request to convert all our convertible bonds to our company's common stocks based on our company's bond issuance and conversion regulations, the net value per share increases from NTD42.96 to NTD52.11 Calculation: (NT\$3,414,988thousand + NT\$900,000 thousand) / (79,492 thousand shares +3,125 thousand shares) = NT\$52.11/share, a positive impact for the shareholders.</p>
<p>Exchange and Bailment Organization</p>	<p>Not applicable</p>

Information of convertible bonds

Type of Corporate Bonds		First Taiwan Domestic Unsecured Convertible Bond	
Year Item		2016	As of Apr. 30, 2017
Market value of Corporate Bonds	High	NTD124.00	NTD103
	Low	NTD100.50	NTD101

	Average	NTD110.25	NTD101.54
Conversion price		When issued the conversion price was NTD288.00, only from Aug 10, 2016 after adjustment for the distribution of cash dividend, the conversion price became NTD271.70	NTD271.1
Issuance (Processes) Date and Conversion Price when Issued		Issued date :Nov. 13, 2015 Conversion Price when Issued NTD288.00	
Methods of Obligation Conversion		New share issuance	

iii. Issuance of preferred stock: None

iv. Status of overseas depositary receipt: None

v. Process of employee stock warrants: None

vi. Status for issuance of restricted new shares for employees: None

vii. New share issuance for acquisition or assigned shares: None

viii. Execution of Fund Program

(I) The Company's 1st time issuance of unsecured convertible corporate bond in the Republic of China in 2015:

1. Plan content:

(1) Total capital required in the plan: NTD934,610 thousand

(2) Capital resource:

The 9,000 first Taiwan domestic unsecured convertible bonds were issued. The face value per bond was NTD100,000 . The bonds were full released by face value. The issuance period is three years.

The coupon rate is 0%. The total issuance amount is NTD900,000 thousand.

(3) Owned capital NTD34,610 thousand

(4) The plan's items and expected execution schedule of capital

The case was approved by the Financial Supervisory Commission on October 29, 2015, in the form of the Securities Management Certificate No. 1040042486, and total amount of funds raised was NT \$ 900,000 thousand, the uses of these funds are to buy the office building, to build O2O e-commerce platform, and to construct Logistics Center. The total amount of the needs of the plan is

NTD934,610 thousand. According to the amendment of the use of this plan's fund adopted by the Board of the Directors in Nov 08, 2016, reducing the amount of the bought of office building by NTD 336,884 thousand and the amount of building the Logistics Center by NTD192,804 thousand and propose to use the fund to enrich the operating capital. The case is proposed to the shareholders' meeting for admitting posthumously. After the change, the project item and schedule of the use of the funds are as follows:

Unit: NTD 1,000

Plan's items	Expected date of completion	Expected execution schedule of capital						Amount required		Total capital needed for the plan
		2015		2016				2017		
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Purchased office building	Q1 of 2016	—	—	138,912	—	—	—	—	—	138,912
Established O2O E-commerce platform	Q4 of 2016	26,509	52,265	91,560	33,445	28,965	29,967	—	—	262,711
Established logistics center	Q1 of 2016	—	—	3,299	—	—	—	—	—	3,299
Enrich the operating capital	2Q2 of 2017	—	—	—	—	—	—	400,000	129,688	529,688
Total	26,509	52,265	233,771	33,445	28,965	29,967	400,000	129,688	934,610	

(5) Expected Benefits

A. Purchase of Office Building

The company's main focus of operations is the mainland Chinese market, with subsidiary Chlitina (China) Marketing Limited as its head management center, under which 15 branches and 11 offices have been established to act as management centers of franchise stores spread throughout the various provinces of mainland China, supporting daily franchise store sales, beauticians training, as well as shop expansion-related matters. Apart from Chlitina (China)'s operational headquarters in Shanghai which has been purchased, the remaining branches and offices currently adopt a leasing form. The company had bought office building in Chengdu, Sichuan, apart from saving on possible future rent hikes, providing a better working environment for our employees, and expanding space for display, storage and practical training classrooms, to strengthen the business development. Because of the price of real estate of China raised a lot recently years, and the proper real estate is not easy to obtain, the Board of

Directors made the resolution to change the item of plan in Nov 08, 2016, reduced NTD336,884 thousand of the amount of purchase of office building, and change the funds to enrich the operating capital. After the reduction the total amount of the plan is NTD 138,912 thousand, and the plan had been finished in 2016. Currently the new office is in the process of design and decoration stage, and is expected to move into and start to use in the second half of 2017. Then each year is expected to save rental costs NTD 3,923 thousand

B. Building an O2O E-commerce Platform

The territory of the mainland China region is vast. The Company's existing physical store chain franchise business model has its regional limitations. In order to further expand and develop the penetration of the 'Chlitina' brand skin care cosmetics in mainland China, and expand the scale of operations of tie-in sales of other health food products, in addition to continuing to use the expansion of franchise stores and new regular chain outlets to improve physical store coverage, the Company intends to make inroads into e-commerce, attracting online shopping consumer groups, thus realizing full-time, non-regional marketing. It is expected that a total of NTD 262,711 thousand (which includes NTD 34,610 thousand of our own funds) will be invested in the Health Beauty Happiness O2O e-commerce outlet platform build and in marketing promotion. This plan items had been finished in Q4 of 2016, and the business income had arrived NTD 110,218 thousand in 2016. Within the increase of the new shelves products, the E-commerce income is expected to grow stably every year.

C. Building Our Own Logistics Center

The company currently has 11 delivery centers in Chinese mainland (including the branch owned and outsourcing operators), originally the company intended to set up its own logistics center in Shanghai, Chengdu, Dalian, Tianjin and Guangzhou etc., but since 2016 the mainland China's land price had roused, after comparing the overall benefits of self-built logistics center and outsourcing warehousing management, the Board of Directors' meeting adopted the change of project reducing the amount of construction of logistics center NTD 192,804 thousand In Nov 08, 2016, and the amount is used to enrich the working capital. Therefore, after the reduce, the total amount executed of the project is NTD 3,299 thousand which was the accumulated cost paid for the initial expenses of logistics operating system and this project had been completed in 2016.

D. Enrich the working capital

Considering the variety of the Mainland China's land price is huge, the benefits of buying office building and constructing the Logistic Center are not as the expectation. After careful

assessment, In Nov 08, 2016, the Board of Directors' meeting adopted the change of the project's funds use, adjusting the use of related funds NTD529, 688 thousand which is expected to be used to purchase office buildings and build logistic centers to enrich the working capital of the Q1 and Q2 of 2017. As of the first quarter of 2017, after the change, the amount to enrich the capital was NTD 529,688 thousand, had invested totally in working capital. Therefore the project of this fund's use had been executed completely.

2. Execution status

Unit: NTD 1,000 ; %

Plan's items	Execution status		The execution up to Q1 of 2017	Cause and Improvement Plan on Progress ahead of schedule or delay
Purchase of Office Building	Disbursement amount	Expected	138,912	Execution completed
		Actual	138,912	
	Execution schedule (%)	Expected	100.00%	
		Actual	100.00%	
Building an O2O E-commerce Platform	Disbursement amount	Expected	262,711	Execution completed
		Actual	275,555	
	Execution schedule (%)	Expected	100.00%	
		Actual	104.89%	
Building Logistics Center	Disbursement amount	Expected	3,299	Execution completed
		Actual	3,299	
	Execution schedule (%)	Expected	100.00%	
		Actual	100.00%	
Supplementary of Working Capital	Disbursement amount	Expected	400,000	Execution completed
		Actual	529,688	
	Execution	Expected	100.00%	

Plan's items	Execution status		The execution up to Q1 of 2017	Cause and Improvement Plan on Progress ahead of schedule or delay
	schedule (%)	Actual		
			100.00%	
Total	Disbursement amount	Expected	804,922	Execution completed
		Actual	947.454	
	Execution schedule (%)	Expected	86.12%	
		Actual	101.37%	

Note : The rate of exchange is the 2017 Q1 average spot exchange rate of Bank of Taiwan -CNY: NTD 1:4.5226

3. Effect assessment

(1) Purchase of Office Building

The Company has signed a contract for sale with Chengdu East Hope Intertek Land Company Limited in the first quarter of 2016, and has already made real estate payments. Follow-up will still involves decorating to prepare it for use. It estimated that to start to use from the second half of the year in 2017. The savings in annual rent which can be generated can be expected to bring benefits.

(2) Building an O2O E-commerce Platform

In the perspective of achievement rate in 2016 for O2O e-commerce platform, as the product line of O2O e-commerce platform is still increasing, new products will launch continuously. However, it is necessary to go through adaption period and acceptance period for customers to buy new products, the basic main body framework of O2O e-commerce has constructed but the function has not well equipped yet, thus the consumer experience did not reach ideal situation, which affect the growth of sales revenue. The achievement rates of the Company's sales revenue and gross profits in 2016 from O2O e-commerce platform did not meet expectations. Because of the above factors, combined by the effect of the long holiday in Feb., sales revenue and gross profits were relatively low in the first quarter of 2017.

Unit: NTD 1,000

Year \ Items	2016 (note 1)			Q1 of 2017 (note 2)		
	Estimated	Actual	Achieved rate	Estimated	Actual	Achieved rate
Sales revenue	214,681	110,218	51.34%	66,331	24,690	37.22%

Sale gross profit	186,772	86,528	46.33%	57,708	13,563	23.50%
Net operating profit (loss)	(31,974)	(14,399)	note 3	2,978	(3,900)	note 3

Note 1: The rate of exchange is the 2016 average spot exchange rate of Bank of Taiwan -CNY: NTD=1: 4.8425

Note 2: The rate of exchange is the 2016 Q1 is adopted 2017 Q1 average spot exchange rate of Bank of Taiwan -CNY: NTD=1: 4.5226

Note 3: The achieved rate cannot be presented because estimate or actual number is negative.

(3) Building Our Own Logistics Center

The Company has passed the resolution for the change of capital usage in directors' meeting on Nov. 8, 2016. It planned to use the residual capital to supplement working capital, and thus the logistics center plan has been terminated.

(4) Supplementary for working capital

The Company invested NTD529,688 thousand in Q1, 2017 as a supplementary for working capital. It is estimated to save interest expenditure of NTD 17,281 thousand in 2017, as well as NTD 23,041 thousand in 2018 and every year later, calculated based on the estimated average borrowing rate 4.35% for one-year period of the People's Bank of China.

4. The Rationality for Being Behind Schedule, the Effect on Shareholders' Equity, and Whether There are Specific Improvement Plans

The progress of implementation did not meet with the expectation, as it is not easy to search for suitable offices and buildings and logistic centers and then make inquiries due to the influence of price highly rising in Chinese estate market. After deliberate consideration and evaluation, it has passed the resolution to change use of capital by directors' meeting on Nov.8 2016, which makes an adjustment on the residual capital of NTD 529,688 thousand for purchase of office building and construction of logistic center originally to be as a supplementary for working capital and it will be proposed for permission in the shareholders' meeting of this time. It has completed the implementation for the changed plan during Q1 2017. There was no significant negative influence on shareholder equity.

V. Operational Highlights

i. The business content

1. Scope of business

In 1997, the company formally entered the mainland Chinese market. As of the end of Dec., 2016, through the franchise chains in 30 provinces, municipalities and autonomous regions, such as Shanghai, Guangzhou, Beijing, Chengdu, Dalian, Wenzhou, Qingdao and so on, we have established more than 3,500 franchise chain beauty salons. This is a middle to premium large-type cosmetic chain

organization in mainland China. The Company has a premium quality range of skin care products, which in addition to home use products, also includes professional skin care sets, providing customers who come to our franchise salons with a full range of cosmetic skin care products and the choice of professional treatment. Through the Company's first-class independent research and development as well as production capacity, superior product quality and professional skin care philosophy, we have established an excellent customer base and brand value.

1) The main operational contents:

- ① The research and development, manufacturing and sales of beauty products and care kits.
- ② The management and business expansion of franchise beauty chain stores.
- ③ All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2) Revenue Ratio

Unit: CNY 1,000 ; NTD 1,000

Main products	2015			2016		
	CNY	NTD	%	CNY	NTD	%
Face care products	542,920	2,732,622	62.19%	545,732	2,642,708	78.64%
Body products	16,897	85,045	1.94%	9,265	44,866	1.34%
Aromatic products	2,438	12,270	0.28%	1,947	9,429	0.28%
Trademark licensing income	130,072	654,678	14.90%	48,124	233,040	6.93%
Processing income	121,107	609,556	13.87%	42,039	203,575	6.06%
Other	59,623	300,093	6.82%	46,870	226,966	6.75%
Total	873,056	4,394,264	100.00%	693,977	3,360,584	100.00%

Note: Other incomes include special allowance income, related party income, beauty service income, and food products income, etc.

3) The company's current products

Product Category	Main Product Category	Main Purpose	
At Home Skin Care	Makeup Remover, Facial Cleanser,	Makeup removing and Cleansing	Removing the five major waste byproducts of the skin surface, such as old accumulated dead skin cells, dust, oil makeup residue, oxidative rancidity of fat, and the salt from sweat.
	Toner, Essence,	Hydrating toner	Fully hydrating the skin cells while suppressing the evaporation of water.

	Lotion, Cream	Repairing essence	Regulating skin functions, delivering targeted improvements of problematic skin, and maintaining healthy skin.
		Eye Care	Preventing and improving eye wrinkles
		Moisturizing cream	Promoting the blood circulation of the skin, timely supplying nutrients and oxygen to the cells, promoting the repair and regeneration of the cells, and maintaining the smoothness and moisture of the skin.
		Sunscreen	Providing good sunscreen and insulation and protecting the skin.
Professional Skin Care Line	Eye Care Series	By leveraging the active ingredients in the composite peptide and silk eye masks, immediate improvements to edema, pigmentation, and wrinkle problems can be delivered. By using the dedicated ancillary equipment at the same time, problems around the eye area such as dark under eye circles, bags under the eyes, and congestion and fatigue can be prevented and improved.	
	Anti-wrinkle Series	By leveraging the active ingredients in the tightening peptides and tourmaline stones, the firming and lifting effects in the contour of the face can be immediately achieved. By using the dedicated ancillary equipment at the same time, the slimming of the face, firming, lifting, and improvement of the skin's absorbability can be achieved.	
	Whitening Series	By leveraging the active ingredients in the Morus Bombycis Root Extract and ruby, the tyrosine amino acid activity can be suppressed externally and the pigmentation that's already formed can be improved internally. By using the dedicated ancillary equipment at the same time, the delicate whitening, lightening of spots, and the absorbability of the skin can be achieved.	
	Hydrating Series	By leveraging the active ingredients in the podophyllin and sapphire, the water in the skin cells can be deeply replenished and the moisture can be firmly locked in. By using the dedicated ancillary equipment, the water can be deeply replenished, the moisture can be effectively locked in and the skin's absorbability can be enhanced.	
	Naturex Series	The Naturex Series is 100% pure herbal essence derived from concentrated pure plant extracts. It uses the newest extract technology, targeting different skin problems to achieve more effective conditioning and improvement.	

	Professional Beauty Salon Series	Specifically designed to target problematic skins, regardless if it's to prevent wrinkles, to replenish hydration, or to provide whitening, it can provide excellent improvement and prevention. It can be used as part of the home skin care routine, or can be introduced by using it in conjunction with the equipment at the clinics, or as a hydrating mask.
Aromatherapy	Essential Oils, Compound Essential Oil	<ol style="list-style-type: none"> 1. Strengthening beauty and skin care, improving skin immunity and delaying aging process. 2. Soothing the mood and creating a pleasant spirit, relaxing the nerves. 3. Protecting the health of the body by improving problems such as respiratory infection, reduced immunity, and endocrine imbalance.
Body	Essential Oils, Lotion	<ol style="list-style-type: none"> 1. Unblocking the meridian system and enhancing the functions of internal organs. 2. Improving deep tissue relaxation, blood circulation of the muscular tissues, soothing the body, mind, neck and shoulder region, and relieving back pain and inflammation symptoms.
	Slimming Series/breast enlargement	By using the active ingredients in the millet peppers in conjunction with organic health foods, internal detoxification and external body slimming can be achieved. By using the dedicated ancillary equipment at the same time and through the release of far infrared and seismic waves, decomposition of the cellulites can be accelerated, metabolism can be improved and excess water and fat can be removed from the body.

4) Research and development of new products

A. The development of anti-aging series products

In accordance with market and operating principles, the Company will be addressing the following issues in the new year: moisturizing, evening of the skin tone, delaying the onset of yellowish skin and wrinkles, and improving sallow and uneven skin tone due to aging.

B. The development of whitening products

Developing skin whitening products targeting women with dull complexion and pigmentation problems.

C. The development of E-commerce channel specific products

Developing economy pricing items targeting E-commerce channels.

D. The development of sunscreen series

Products dedicated for facial sunscreen; body sunscreen products.

E. The development of infant skin care products

Basic skin-care products designed specifically for infants

2. Industry Overview

(1) The current industry status and development

According to the Euromonitor research data dated Apr. 2017, the market size for beauty and personal care products had reached CNY 333.7 billion in Mainland China in 2016; the compounded annual growth rate reached 7.7% between 2011 and 2016. The overall market size for beauty and personal care products in Mainland China increased by 45% during the five-year span between 2009 and 2014, and among them, the beauty and personal care product kits grew by 94.9%, making it one of the fastest growing markets in the world.

2011 – 2016 Beauty and Personal Care Products Product Category and Sales Volume

Unit: CNY one hundred million

Item \ Year	2011	2012	2013	2014	2015	2016
Baby and child-specific Products	76	89	104	121	141	151
Bath and shower products	163	173	185	195	203	211
Color cosmetics	166	181	205	226	251	283
Deodorant	5	6	6	6	7	7
Depilatory	3	3	4	4	4	5
Fragrances	42	46	49	53	56	54
Hair care products	388	422	450	465	476	495
Men's cosmetics	78	92	104	113	121	124
Oral health products	227	249	271	286	304	327
Oral health products (Excluding power toothbrush)	222	244	265	280	297	319
Skin care products	1,150	1,269	1,390	1,507	1,608	1,691
Sunscreen products	37	41	43	47	50	55
Sets/kits	91	104	117	134	156	177
Premium beauty and personal care	426	474	525	569	616	689
Mass beauty and personal care	1,633	1,786	1,941	2,086	2,215	2,299

Item \ Year	2011	2012	2013	2014	2015	2016
Beauty and personal care products	2,302	2,526	2,756	2,961	3,156	3,337

Source: Euromonitor (2017/4)

2011 to 2016 Beauty and Personal Care Products and Sales Increase Rate

Unit: %

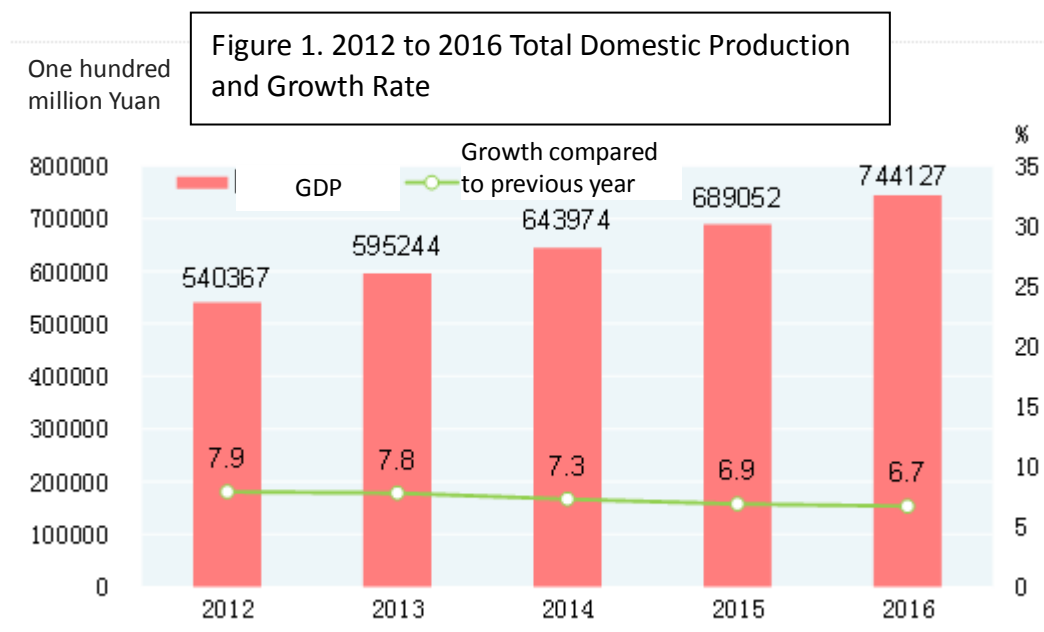
type \ growth rate	2015-2016 growth rate	2011-2016 compounded annual average growth rate	2011-2016 total growth rate
Baby and Child-specific Products	11.3	14.7	98.9
Bath and shower	4.0	5.3	29.4
Color cosmetics	12.4	11.2	70.3
Deodorant	4.3	5.9	33.2
Depilatory	8.3	8.5	50.7
Fragrances	0.4	4.9	26.7
Hair care products	3.0	5.0	27.3
Men's cosmetics	5.4	9.9	60.1
Oral health products	7.3	7.6	44.2
Oral health products(Excluding power toothbrush)	7.2	7.5	43.7
skin care products	5.4	8.0	47.1
Sunscreen products	9.2	8.4	49.3
Sets/kits	13.7	14.3	94.9
Premium beauty and personal care	9.7	10.1	61.7
Mass beauty and personal care	4.7	7.1	40.8
Beauty and personal care products	5.9	7.7	45.0

Source: Euromonitor (2017/4)

The Company's main regions for development are located in mainland China, and we have now been cultivating the mainland Chinese market for many years. With sustained economic growth in mainland China, the cosmetics industry has huge potential for the development of business opportunities. The main driving factors behind the development of the mainland Chinese cosmetics industry include the growth of GDP in mainland China, the urbanization rate and increases in per capita disposable income. These factors are closely related to the demand for cosmetics, and have become the

main driving force behind the rapid expansion of the industry and its thriving development.

According to the indications of international historical data, when per capita GDP exceeds USD3,000, consumption begins to enter a fast-growing channel. This is also the case for cosmetics consumption, but when per capita GDP exceeds USD20,000, the rate of growth will fall significantly, and enter into a stable period. According to the National Bureau of Statistics of the Peoples' Republic of China, in 2016 China's GDP was CNY74,412.7 billion, a growth of 6.7% over 2015.



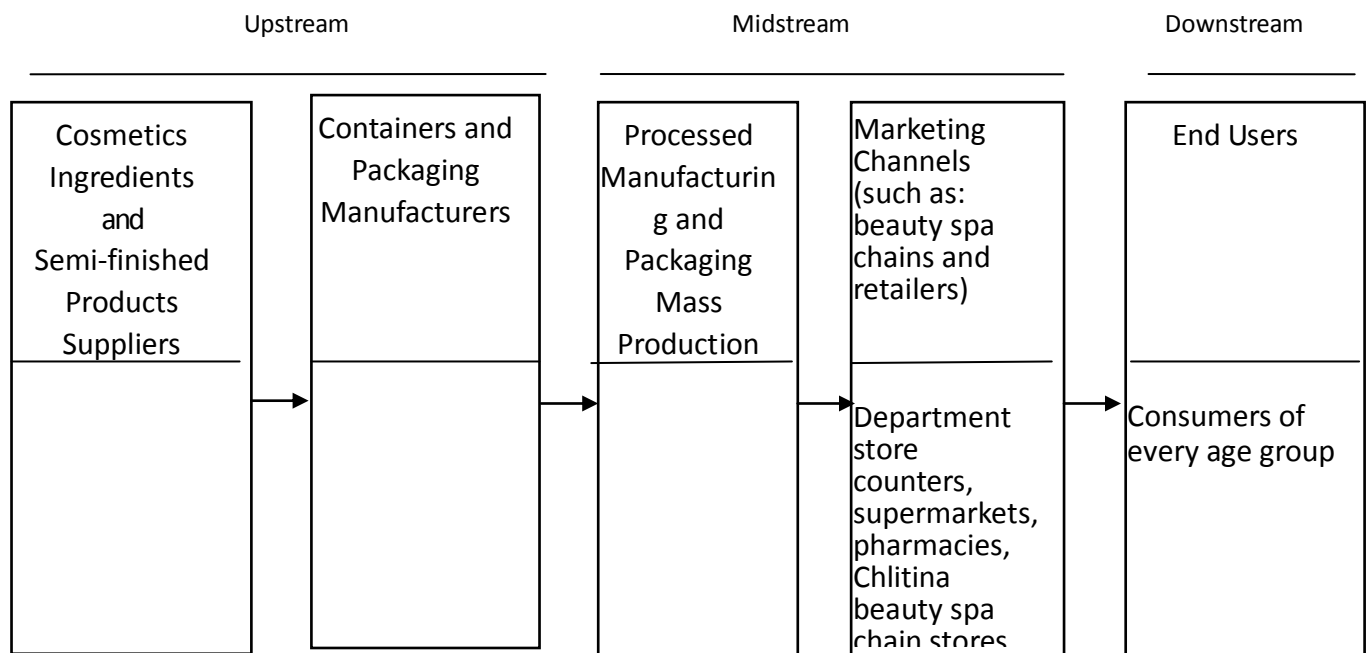
Source: National Bureau of Statistics of the PRC (2017/02/28)

In recent years, as mainland China's industry has gradually expanded to the second and third tier cities, stimulating rapid growth in the urban population, and relative per capita disposable income of urban residents has gradually risen. According to the PRC's National Bureau of Statistics, the per capita disposable income of urban residents in China in 2016 amounted to CNY23,821, an increase of 8.4% over 2015. The rise of purchasing power among urban residents, has led to increased demand for cosmetic products, thereby accelerating the development of the cosmetics industry.

(2) The industry upstream, midstream, and downstream relationship

The company's main items of operation are the sale of cosmetic products such as age freeze, professional anti-aging salon products, professional skin care products, home health care products and so forth. Cosmetics manufacturers and brands are mid-stream manufacturers in the industry. This industry's upstream mainly consists of suppliers of raw materials for cosmetics, semi-finished product manufacturers, containers and packaging product manufacturers, while mid-stream companies includes process manufacturing and packaging mass production as well as marketing channels such as agents,

distributors, franchised chain stores, and so on. Downstream is consumers of all ages. The upstream, mid-stream and downstream relationships are as follows:



(3) Development trends of various products

A. Future Product Development Directions

Since entering the Mainland China market in 1997, the Chlitina Group has been committed to developing and providing products that are most suitable to the skin care needs of “Chinese” and “Asians”. Particularly in the case of China where the country spans across a large area and there are major differences in the climate between the north and the south. The needs for maintenance and care from women who are into looking beautiful within the “various regions” cannot be satisfied by a single product produced by one-tier manufacturers in “Europe or America”. Therefore, the “Chlitina” Group introduced the product development concept of “professional care, in order to satisfy the skin care needs of individual customers”, and proceeded with the development of various professional differentiated products.

Based on this research and development concept, the product development directions for the “Chlitina” Group can be divided into the following major categories:

(A) Products focused on “Anti-aging”

“Anti-aging” has always been a dream pursued by humans since the dawn of homo sapiens; it was the case in the past and it will continue to be the case in the future, it won’t ever change. How to develop a series of comprehensive skin care products, specifically designed for Asian, especially

Chinese, skins, in order to satisfy the needs of “anti-aging” in Chinese women, has become the highest guiding principle for product development for “Chlitina” Group.

As such, based on this single idea, the “Chlitina” Group developed a whole series of products by following the three major steps in skin care: “skin purification⇒repair⇒regeneration”, during its product research and development.

(B) Strengthen the in-clinic treatment results of “professional skin care”

Since “Chlitina” is a well-known mid to premium professional beauty spa chain in China, in order to strengthen the differentiation and effectiveness of “professional skin care”, in addition to developing “home care” products, a whole series of beauty spa professional care kits based on “combination products” complemented by “professional equipment” were developed and introduced: “Hydraskin Intensive Expert Program”, “Contour Turn Back the Clock Expert”, and “Extreme Clear White Expert Program”. They are used in conjunction with “professional equipment” based on a non-invasive method to create the best skin care results in customers, in order to achieve the goal of “stopping time at the most beautiful place”.

(C) Provide comprehensive, around-the-clock products in order to create differentiations in service and products

To create differentiations in products and services in order to bring “customers” the maximum results in skin care. “Chlitina” Group covered the following areas in terms of products:

(a) Home Care Products

These products are focused on the personal basic skin care when at home to meet the care and repair of skin all day long. Home care products have the benefits of convenience and autonomy; the home care combinations that are custom created based on the recommendations of professional beauty consultants can take care of the personal skin care problems and provide non-stop all day maintenance. By extending the effectiveness of strengthening the professional beauty treatments, one can achieve more with less work. The primary product functions are “hydrating, repairing, and moisturizing”, where hydrating is primarily based on lotions that are excellent in hydrating and brightening the skin, which include the delicate classic EPO series that: helps with normalizing skin cell metabolism, maintains skin cell completeness and water retention, effectively improves aging and drying skin, moisturizing and locks in water, and repairs dryness; the premium and luxurious Fantasia series: in addition to providing deep moisturizing for the skin in the underlying layers of the skin, it can also target the different types of skin to provide anti-aging and repair or deep whitening and maintenance results for the skin, and give the vitality the skin needs the most.

(b) Professional Beauty Salon Treatments

The emphasis is on “combination” products complemented by “professional equipment”, where the professional beauty consultant, with the help of professional equipment examination, discovers

the causes for problematic skins, and designs a customized beauty treatment. Safely guided by high tech equipment, it has features such as safety, comfort, high efficiency, and is non-invasive. It also combines professionally trained techniques to truly bring about the significant results of skin care, in order to achieve the goal of “anti-aging”. The primary product functions are focused on “hydrating, activation, and smoothing wrinkles and lifting”. The product line series include the Hydraskin Intensive Expert Program Sets and the Extreme Clear White Expert Program Sets.

(c) Body and Meridian Care

The focus here is on the need for full body skin care and physical health. It is based on Chinese medicine concepts that Asians are familiar with, combined with European quantum medical technology, to fully deliver the results. The innovative concept of combination of the East and the West through skillful techniques of unblocking the meridian system, combines pure essential oils that have high human body absorption rate, to enhance deep tissue relaxation and blood circulation in the muscle tissues, soothes the mind, body, neck and shoulders, and relieves back pain and inflammation symptoms. The raw materials are sourced from quality natural plants originated in Europe and Northern America.

(d) Sensitive Skin Care Products

In response to skin problems caused by change in season, such as sensitivity, redness, peeling, and difficulty applying make up, the Company pays special attention to enhance the skin’s defense. Most skin care products that are inconsistent in quality can easily cause irritation and discomfort, and even lead to more severe skin diseases. Given the sensitive skin caused by improper maintenance practices and inadequate skin care products, the Company places particular emphasis on healthy skin structure, in order to take into consideration the need to enhance the skin’s protective barrier and strengthen the skin’s metabolism. Cream-based lead products that have protein and EG cream have been through the tests of time and market, are absolutely representative of this category.

By leveraging the products’ integrated use and complement, all-day non-stop skin care can truly be achieved. The products can provide the skin with care that fluctuate between deep and mild care, not only do the products provide comprehensive and consistent effectiveness, but they also allow the skin to have the appropriate rest and recovery. This fully demonstrates the product features of “professional, personalized, comprehensive, all-day” that the Chlitina Group has in product development, prompting the skin to bring about the self-physiological phenomenon of “purifying, repairing, regenerating”, in order to further achieve the ultimate goal of “anti-aging”.

B. Future Trend of the Beauty Market

The Mainland China market is the primary growth market for the Chlitina Group. Based on evidence from market research reports indicating that:

“Beauty Economy” possesses deep growth potential; “Beauty Economy” will be the industry with

the quickest growth rate in the next 5~10 years. According to the research data presented in the Apr., 2017 issue of Euromonitor, it is estimated that the overall market size will reach CNY 433.3 billion by the year 2021.

Due to the fact that there has been significant increase in GDP in Mainland China in the past 10 years, the demand for high quality service has also correspondingly increased in Chinese consumers. This has enabled the professional beauty establishments to win the affirmation of the consumers in the mid to high level markets, based on their own professional standards of service, which will enable the beauty treatment institutions' growth trends to be even more distinctive in terms of their professionalism and single functionality.

The country established beauty service management guidelines, which also in turn raised the level of demand for quality service in "beauty spas", further raising the bar for entry for beauty spas, which helps in the development of large professional beauty chains, such as Chlitina.

C. Future Changes in the Company's Operational Methods

In response to the rapid increase in demand for beauty care products and services in the Chinese market and consumers, the Company will also be implementing the following changes in terms of operational methods, in order to increase our competitiveness:

(A) Strengthen "Market-End Training" Abilities

In light of the vast marketplace size in the Mainland China market, local customs and skin condition differences, with the continuous increase of franchise stores across the country, the management of the chain store brand needs to have "localized" thinking and servicing methods. The training that the Company has adopted is a hierarchical model of "Headquarter Advanced Training" and "District-based Educational Guidance". The headquarter will arrange, according to plan, senior lecturers to conduct educational training sessions on new product knowledge and new store opening guidance, based on market operating principles, which will include the following contents: "corporate culture", "brand image", "strengthening products", "store management", "selling techniques", and "career planning", in addition to a variety of other classes. Once someone passes the headquarters' assessment, the lecturers in each district who have passed the assessments will then duplicate and transfer the teaching of the course contents, depending on the situations of the stores belonging to each district (such as climate, environment, and local customs and practices), in order to achieve the dual goal of "professional unification" and "district-based educational guidance".

The hierarchical model of "Headquarter Advanced Training" and "District-based Educational Guidance" can effectively reduce staff costs associated with transportation and time. In addition to substantially reducing enterprise operational costs, this can also simultaneously increase the motivation of learning on the part of the staff and the learning can be quickly applied to actual store operations, to further realize the marketing strategy.

(B) Deeply Root in the Beauty Franchise Channels

It divided the market in Mainland China into developed, well-off and developing regions. In the future development, Chlitina will take advantage of high brand awareness and localized marketing strategies to further increase the marker shares in the well-off and developing regions.

(C) Increase Product Research and Development Capabilities

Quality products are the best guarantees for winning in the marketplace. The Company must strengthen its own research and development capabilities and speed, and attract all kinds of industry talents.

(D) Diversified Management

With the development of E-commerce, the Internet and regenerative medicine in China, consumer habits are imperceptibly changing as well. Within such an environment, Chlitina is searching for its own sales model, so as to increase the profitability of the franchisees downstream, by leveraging the Internet to achieve diversification in management. It can further improve the technological property of the existing products and the existing course of treatment in the beauty salons by using the anti-aging effect of regenerative medicine, so as to increase the consumer satisfaction.

(4) Competitive Landscape

A. Market Size Differentiation

The impacts of increased domestic consumption and inflation in China have caused business real estate prices to skyrocket, and the surge in growth of store openings, causing the formation of barriers to entry for rapid store expansions. As a result, the Company's competitive advantages of its current market size of 3,600 plus stores and its annual growth rate will not be easily surpassed by its competition.

B. Product Research and Development Capabilities Autonomy

When the Company was established in 1989, the Company was the first to introduce the "PH5.5" skin care product research and development concept. This concept has gradually been positioned as the direction for product development by international first-rate manufacturers since the year 2000, fully demonstrating the Company's research and development capabilities. Compared to other competitive brands in China that rely heavily on externally purchased products as their primary mode of operation, the Company's autonomous research and development capabilities not only respond better to customer needs, but also provide an advantage for the Company over its competitors.

C. Brand Advantage

In Nov. of 2011, the Company's brand-named "CHLITINA" and the corresponding Chinese brand-named were both given the "Famous Chinese Trademark" title from the State Administration for Industry and Commerce of the People's Republic of China, making the Company the only enterprise to receive the "Famous Trademark" title in the beauty chain industry.

3. Technology and R&D Overview

(1) The Level of Technology and Research Development of Operated Businesses

The Company combined its formula design with the process technology to develop product formulas that are differentiated from the marketplace; the texture and efficacy cannot be duplicated. This is very different from the majority of the cosmetics companies in the marketplace whose R&D departments rely on the formula provided by the raw materials suppliers, where the origin of the raw materials is limited to specific vendors, they are unable to change on their own, and are unable to control costs. The rich formula development experience allows for the design of products with appropriate pricing based on the market pricing positioning; the process technology allows for a smoother production process, which results in more stable quality and in turn increases production efficiency. In addition, in order to have a better grasp of the fashion trends in Europe and the Americas, the Company has signed a contractual research agreement with the FP Consultants Company, a research and development institute in France.

The primary products for the Company, which include professional skin care and maintenance products and home care products, have all been self-developed. The main development focus for the Company has been committed to the areas of professional beauty products, personal skin care products, aromatherapy, and products for spa use.

(2) Research Development Personnel and Their Education and Experience

As of the end of Mar. 2017, a total of 10 R&D staff, which are college degree and number of employees and educations are as follows:

Item	Number at end of period	Distribution of educations		Average seniority
		Collage	Master	
2015	10	5	5	7.40
2016	9	5	4	8.77
Mar. 31, 2017	10	5	5	9.09

(3) R&D expenses invested in the last 5 years

Unit: NTD 1,000 ; %

Year	2012	2013	2014	2015	2016
Item					
R&D Expense	10,698	15,171	14,967	17,729	9,379
Operating Revenue	2,408,559	2,701,472	3,071,369	4,394,264	3,360,584
Proportion of R&D expense to operating revenue (%)	0.44	0.56	0.49	0.40	0.28

(4) Successfully developed skills or products in last 5 years

Year	Development Items/Name
2012	Body Sculpting Series (Massage Cream, Essence Gel, Firming Cream)
2013	Instant Rejuvenating Eye Expert Program, Advanced Lightening and Whitening Program
2014	Delux Renew Firming Cream, Taiwan Directly-Operated Salon Exclusive Products (Hydra Cleansing Fluid, Shea Butter Facial Massage Cream, Gentle Makeup Remover, Chamomile Body Scrub, Seaweed Skin Softening Powder, Extreme Soothing Body Mask, HA Intensive Boosting Serum, NMF Intensive Boosting Serum, 9 Peptides Intensive Boosting Serum, Marigolds Intensive Boosting Serum, Anti-wrinkle Peptide Intensive Boosting Serum, Madelic Intensive Boosting Serum, Marigolds Herbal Mud-Mask Repair, Witch Hazel Herbal Mud-Mask Repair, Silky Body Lotion, Magic Body Slimming Gel)
2015	Delux Renew Firming Cream (China) VFace Series (Lifting Milky Lotion, Lifting and Intensive Serum, Lifting Serum Concentrate, Lifting and Repairing Mask) Value-Priced Masks (CHLITINA Lupine Moisturizing Mask, CHLITINA Nasturtium Brightening Mask, CHLITINA Blue Lotus Refreshing Mask, CHLITINA Bletia Anti-Aging Mask, CHLITINA Purple Ginseng Anti-Blemishing Mask) CHLITINA PURESKIN SERIES (Aqua Toner, Moisturizing Emulsion Lotion, Moisturizing and Repairing Eye Cream, Aqua Nourishing Essential Cream) Sun Passport Sunscreen SPF50+ PA++++ (Made in Taiwan) Salon Series (CHLITINA HA Moisturizing Serum, Witch Hazel Herbal Mud-Mask Repair, CHLITINA Hydra Cleansing Fluid, CHLITINA Marigolds Herbal Mud-Mask Repair,

	Seaweed Skin Softening Powder, Chlitina Regenerating Intensive Boosting Treatment, Chlitina Moisturizing Intensive Boosting Treatment, Chlitina Sebum Control Intensive Boosting Treatment, Chlitina Soothing Intensive Boosting Treatment, Chlitina Whitening Intensive Boosting Treatment, Chlitina Silky Body Lotion, Chlitina Shea Butter Facial Massage Cream, Chlitina Gentle Makeup Remover, Chlitina Extreme Soothing Body Mask, Chlitina Chamomile Body Scrub, Chlitina Magic Body Slimming Gel)
2016	Whitening Series(facial cleanser, leading-in lightening lotion, serum, emulsion, hydratante, and sunscreen) Tourmaline Series (essence milk, eye cream, essence cream, and mask) Professional Beauty Salon Series (CEDAR BALANCING SHAMPOO, CITRUS RELAXING BODY WASH, and YLANG-YLANG Essential Oil & Body Milk Anti-allergy Moisturizing Facial Cleanser Instant Makeup Remover Floral Water Series(PEPPERMINT FLORAL WATER, LAVENDER FLORAL WATER · ROSE FLORAL WATER, TEA TREE FLORAL WATER, MAJORANA FLORAL WATER,and CHAMOMILE FLORAL WATER

4. Business Development Plan of Long-and Short-terms

(1) Short-term plan

- A. Continue to deepen the brand essence of “Women, Love Bravely”, protect the high quality and noble brand image, increase brand awareness, collaborate with the media to continue brand exposure the release effect and large-scale marketing events, and increase franchisee “stickiness” and customer loyalty.
- B. Respond to different consumer groups’ product needs and advanced technology, introduce new products to the marketplace in a timely matter, and aggressively unleash the advantage of professional product line. Target more consumer groups to develop professional products, from facial care products to maintenance treatments, and extending it to health care products and treatments, in order to establish a “beauty and health” “from the inside out” product concept.
- C. With the Mainland continuing to depend the process of urbanization, the consumption power and consumer needs continue to grow in the 3rd and 4th tier cities. The Company will deepen its excavation of market potential, and aggressively expand the 3rd and 4th tier markets in the Greater China region to speed up store expansions, in the hope of realizing brand entrenchment.
- D. Further strengthen the training mechanism and elevate the service techniques of beauty consultants as well as franchisee profitability; unleash the advantage of the franchise stores’ premium product line coupled with professional services, and increase the franchise stores’ attractiveness to the consumers.
- E. Aggressively expand new channels, especially E-commerce channel development, and reduce the

consumer distance in terms of time and space. Adopt a diversified marketing approach, in order to achieve “fast, efficiency, and precision”. Develop products targeted at young people and home products in order to expand on the width and length of the product chain, and achieve channel diversification. Cover more consumer groups, meet different consumer needs, expand market size, and maximize shareholders’ equity.

(2) Long-term plan

- A. Increase R&D capabilities and coordinate with specific channels and various consumer groups to continue developing professional, premium, and high quality products. Be the leader of industry trends and strengthen the Company’s core competitiveness within this industry.
- B. Continue to depend on the brand essence, expand the brand influence, and strengthen consumer loyalty and franchise store stickiness.
- C. Respond to China’s pace of urbanization, continue to develop 3rd, 4th, and 5th tier cities and potential markets, and discover potential consumer needs so that they become the strong momentum behind the Company’s future sales growth.
- D. Speed up the expansion of E-commerce channels and realize full-time, regionless marketing to further attract younger consumer groups. Satisfy consumer needs to the full extent and continue to expand the scale of the business.
- E. Once the Chinese franchise chain business has reached operational maturity, by leveraging the powerful R&D capabilities, the high level of product quality, and the excellent brand image, continue to play out the brand radiation effect and the product scale effect. Establish a multi-brand and multi-channel strategy and expand into overseas territories in a timely manner, in order to allow CHLITINA to become a multi-brand and multi-channel international brand.
- F. Develop new channels. It seizes the opportunity of medical beauty in the gold development stage in Mainland China and establishes the self-owned medical beauty brand. With “Safety, Professional and Optimized” as the mission, it provides effective solutions for various problems on facial skin. Moreover, it seeks the feasible strategies that integrate the existing products and the regenerative medicine, so as to expand the product applicability of the existing channel while developing new channels.

ii. Marketing and sales overview

1. Market analysis

1) Operating status by areas

Unit: CNY 1,000 ; NTD 1,000

Item	2015			2016		
	CNY	NTD	%	CNY	NTD	%
Mainland	843,554	4,245,775	96.62%	663,121	3,211,166	95.55%

China						
Other (note)	29,502	148,489	3.38%	30,856	149,418	4.45%
Total	873,056	4,394,264	100%	693,977	3,360,584	100%

Note: Others including selling on Taiwan and Hong Kong

2) Market share

According to the research data presented by the April 2017 issue of Euromonitor, the sales volume in China for beauty and personal care products reached CNY333.726 billion in 2016. If the Company's 2016 annual revenue of CNY 690 million were used for calculation, the market share is roughly 0.2%. In addition, the sales volume for skin care products (including body care, facial care and hand care) reached CNY 169.14 billion in 2016 for China. If the Company's 2016 annual revenue of CNY 690 million were used for calculation, the market share is roughly 0.4%.

In addition, according to the Euromonitor industry research institute, the sales volume is calculated based on the end product retail price, and the aforementioned revenue for the Company has not included the income derived from services rendered by the franchise stores to the end consumer, and it's not calculated using the end product retail price. If the Company's sales volume was calculated based on the end market retail price, but not including the income from beauty services rendered by franchise chain stores to end consumers, the 2016 annual sales volume would be approximately CNY1.94 billion, according to the Company's internal calculations, which is approximately 0.6% of the Chinese beauty and personal care products market share and approximately 1.1% of the Chinese skin care products market share.

The beauty brand CHLITINA that is under the Company's umbrella relies on the franchise system of operation to provide professional beauty services, and quickly expanded across the marketplace. It is now a rather large scale beauty chain in China, and plays a significant role in the Chinese beauty and skin care market. With the great market development potential of the Chinese beauty industry, the economic development and increased income enable the consumers to have a growing concern about brand image, product quality and effectiveness. The Company controls the entire process of production, from the upstream beauty skin care product formula research and development to the production and packaging of skin care products, all the way to the downstream beauty skin care product sales. Therefore, the Company fully controls the operational value, from R&D, production, sales, brand, to the sales channels; it possesses the complete advantage of industry chain and vertical integration.

The Company fully grasps the brand advantage, has broad and comprehensive sales channels and strong product development capabilities. It has gradually set up competitive barriers and advantages in the highly competitive Chinese beauty and personal car product marketplace, and the future market share is expected to grow year over year. The market share for the Chinese beauty and

personal care products is still being led by the international brands, with P&G and L'Oréal being the biggest market leaders. The Chinese skin care product market share is currently led by well-known international brands in terms of market development; the top three brands, which are P&G, L'Oréal and Shiseido, make up nearly one-third of the market share.

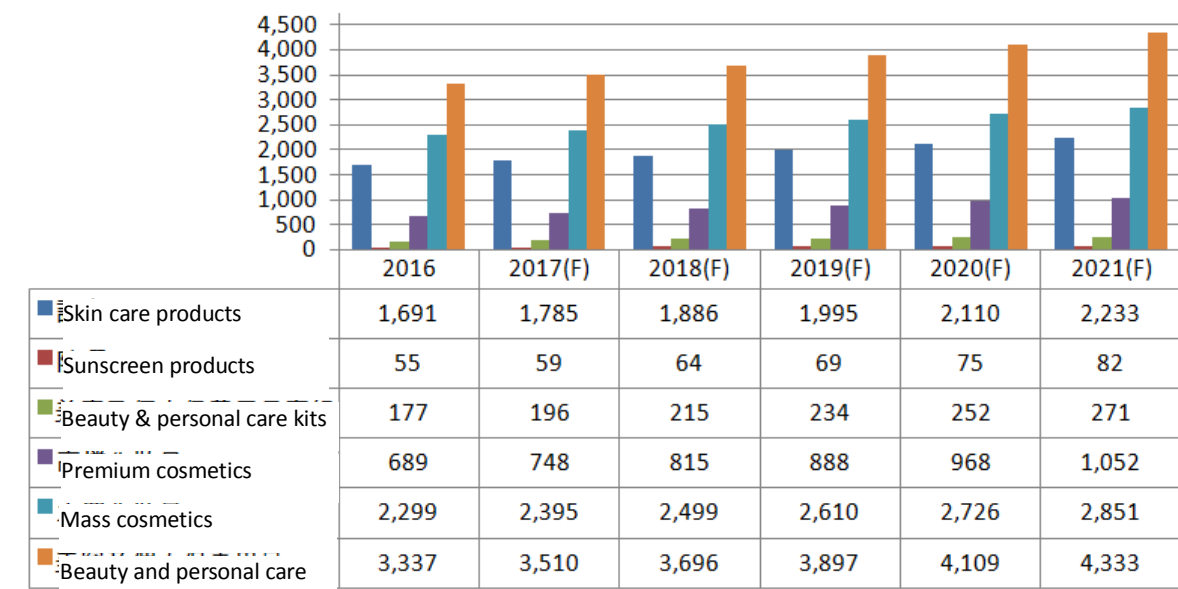
3) Future Market Supply and Demand and Growth

A. Beauty and Personal Care Product Market

The Chinese beauty and personal care products industry has over thirty years in development. According to the research data presented by the Apr. 2017 issue of Euromonitor, the market sales volume compounded annual average growth rate reached 7.7% between 2011 and 2016. It also estimates that the overall market size would reach CNY433.3 billion by 2021, where the growth rate shows an increasing trend and that the Chinese beauty and personal care products market still possesses considerable room for potential development and size expansion. With a growing economy, and the increase in consumer income level and consumer awareness, the Chinese beauty and personal care products market is rapidly expanding, becoming one of the fastest growing markets in the world.

2016-2021 Beauty and Personal Care Products Category and Sales Volume Estimates

Unit: CNY one hundred million



Source: Euromonitor(2017/4)

Currently the Chinese cosmetics market is still showing extremely fierce competition, and can roughly be divided into three marketplaces based on price: premium cosmetics (retail price at CNY200 and up), mid-tier cosmetics (retail price at CNY 100-200) and cosmetics for the masses (retail price at CNY 100 or less).

The premium cosmetics market is primarily led by international brands such as Lancome, Estee Lauder, Guerlain, and Chanel. Their primary customer base is the consumer groups at the top of the pyramid; the mid-tier cosmetics market foreign brands still possess very strong competitiveness, and the primary brands include Olay, L'OREAL PARIS, and Shiseido; the cosmetics for the masses market is comprised of both foreign brands and local brands, and the target customer group for these types of brands is primarily made up of mid to low income consumer groups, where the products are primarily sold through channels such as box stores, supermarkets and specialty stores. The primary foreign brands include NIVEA and POND'S, and the local brands include Chando and TJOY.

According to the research data presented in the Apr. 2017 issue of Euromonitor, the primary source of sales growth for the beauty and personal care products in 2016 China was mainly driven by sales of beauty and personal care treatment sets and skin care products. The primary reasons were attributed to the overall good economic environment, increase in disposable income, combined with increasingly innovative products, thereby allowing the consumers to display a preference over buying more expensive skin care product sets, and driving the marketing management and sales growth.

According to other research data presented in the Apr. 2017 issue of Euromonitor, the compounded annual average growth rate and the overall growth rate for premium skin care products and premium cosmetics products will be higher than the growth rates for the skin care and cosmetics products for the masses between 2016 and 2021. The Company's products' unit price is in the premium cosmetics products' price range. The Company has been developing the beauty chain market for many years, and its products and services have received strong affirmations from the consumers. The continued increase in future sales growth rate for the premium cosmetics products will help the Company in its product sales and overall operational scale expansion.

2016-2021 Premium Cosmetics Products and Mass Cosmetics Products Growth Rate Comparison

Products	Growth rate (%)	2016-2021 compounded annual average growth rate	2016-2021 total growth rate
Premium skin care products		8.3	49.2
Mass skin care products		7.2	38.8
Premium cosmetics		10.1	61.5
Mass cosmetics		8.9	52.9

Source: Euromonitor(2017/4)

B. Skin Care Products Sub-Industry Development

According to the research data shown in the Apr. 2017 issue of Euromonitor, skin care products make up the largest sub-industry within the Chinese beauty and personal care products market. The 2016 market size reached CNY 169.14 billion, and the four primary categories that were analyzed included body, facial and hand care, and skin care sets, with facial care products making up the lion share of the market size, at around 87.3%. It is also estimated that the compounded annual average growth rate for facial care products will reach 5.3% between 2016 and 2021.

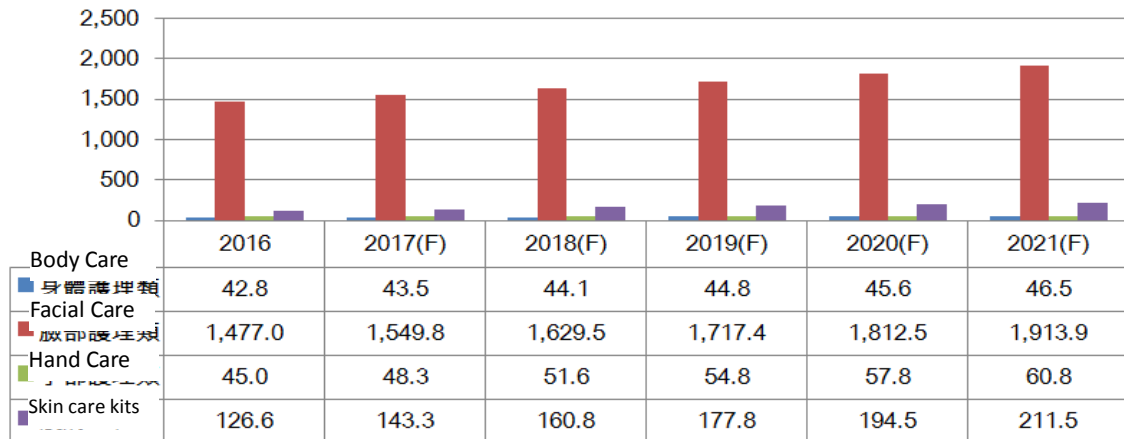
2016-2021 type of skin care products and expected products growth rate

Products	Growth rate (%)	2016-2021 compounded annual average growth rate	2016-2021 total growth rate
Body Care		1.7	8.6
Facial Care		5.3	29.6
Hand Care		6.2	35.2
Skin care kits		10.8	67.0
Skin care products		5.7	32.0

Source: Euromonitor(2017/4)

According to the research data shown in the Apr. 2017 issue of Euromonitor, the Chinese skin care product market size will reach CNY223.27 billion by the year 2021, and the compounded annual growth rate will reach 5.7% by the year 2021, where facial skin care products will make up the majority of that growth, estimated to reach CNY191.39 billion by the year 2021, representing roughly 85.7% of the overall skin care products market.

Sales amount: CNY one hundred million



Source: Euromonitor(2017/4)

C The Development of Beauty Chain Industry in China

Currently, the beauty market in China is still in a development phase that is unregulated and immature. The industry lacks intensity in management, the market competition is in a state of disorder, the operation of beauty spas has not reached a certain scale, and the quality of employees is uneven. The numerous factors contribute to the difficulty of the whole industry's credibility being able to reach a certain level. Hence, through the actual implementation of the chain store operating concept, quality products and services can be provided, and those beauty chain brand operators that have a comprehensive and a favorable operating mechanism would start to gradually lead the development of the beauty market.

Those chain store operators that have a professional management talent team, a comprehensive franchise store management and training system, a complete management model, a complete beauty and cosmetics product line combination, and an excellent corporate image with a higher brand awareness, will have the capabilities in leading the market development, and will be more likely to stand out in a fiercely competitive marketplace.

The Company is a professional beauty and skin care chain store brand. The operating model and channel use the beauty spas as its channels. Through the professional services provided by the beauty centers, product value and reliability are enhanced. The beauty centers also provide comprehensive skin care treatment consultation, creating a professional image in the minds of consumers, and it is vastly different from the average consumer cosmetics operating model. The overall beauty market is currently rapidly growing in China, coupled with the Company's operating model avoids being in direct competition with major foreign brands, would give the Company an advantage in terms of expanding its operations.

4) Competitive strength

A. Market Differentiation

Due to the rise in domestic consumption power in China and the effect of inflation, commercial real estate prices have soared, which has also contributed to the growth in the costs of opening shops and stores, forming an entry barrier for rapid store expansion. However, as of the end of Mar., 2017, the Company had a market scale of 3,346 stores in mainland China and 273 in Taiwan. The scope of services ranged from the densely populated cities of the southeast coast, to the northwest region, all able to enjoy Chlitina's unified specification excellent service. We have already become an indicative market brand on the mainland Chinese market and a scaled-up enterprise, which integrates systematic regional management, effectively reducing the relative cost of opening shops able to immediately begin market operations. Through a big get bigger magnetic effect, the expansion of operational bases has been accelerated, fully ensuring a leadership in market size, which is not easily surpassed by rivals.

To cope with to the overall distribution of operations in mainland China, and integrate the current degree of brand awareness and influence of first-tier cities, having sufficient energy to develop future second and third tier city markets, including those regions of rapid economic development, such as Suzhou, Wuxi, Qingdao, Ningbo, Foshan, Wuhan, Dongguan, Dalian, Nantong, Changzhou, and so on, through unity of service specifications and brand quality, we genuinely permeate lifestyle service spheres and establish local brand reliance on consumer trends and create new market state of affairs.

B. Taking Control of Product Development Capabilities

The Company has extensive experience in formula development, and can design products according to market price and position that best meet cost-effectiveness. We have a range of high-quality products groups, which in addition to home use products, also include professional care sets able to provide professional skin care therapy courses. Of these, the most popular home use products are the EPO series.

The Company possesses its own R & D capabilities and a complete line of products able to meet the demands of Asian skin and the vast mainland market. We develop various tailor-made high quality products, made to suit different climate zones and individual skin conditions, which is a relative advantage over our competitors. And to master the fashion trends of Europe and the United States, we have signed contracts commissioning the French company FP Consultant to carry out research and development, integrating trends in advanced skin care products in Europe and America in order to establish leading-edge technology products.

The company uses formula design to match manufacturing process technology development and market segmentation by product formulation type. Whether in terms of quality or efficacy, these cannot be replicated. This is very different from most of the R & D departments of cosmetics companies on the market, who rely on raw material suppliers to provide formulas, using raw materials which are subject to

vendor-specific limitations, and which they cannot change on their own, and have no control over costs. At the same time, our production plants have been awarded the dual certification of Britain's Intertek GMP certification, and ISO 9001, winning recognition of their quality, which is combined with advanced vacuum emulsifying mixing processing and continuous cooling systems, high shear mixing process, the micro-jet impingement high pressure homogenization processing, and other suchlike production technologies to ensure superior quality.

In 2017, the Company will make large amount of investment into the research and development in the field of regenerative medicine, with the expectation to achieve the purpose of using the technological and medical effects to improve the competitiveness of existing products, existing channels and medical beauty.

C. Advantages of Our Own Brand

Brands are a reflection of the core values of the product or enterprise. Chlitina itself has cultivated the mainland market for many years, and has a high degree of renown on the market as a premium brand with an excellent reputation. With respect to consumer habits, our products have a special implication of personal taste and status. We are a successful story our peers in the industry have attempted to imitate and follow suit in droves, and we enjoy friendly cooperative relations with various sectors; this is a stable corporate model with a complete operational foundation.

D. Quality Training Capabilities

Training is an important factor in maintaining quality of service and winning the approval of consumers. The Company has 25 training bases in mainland China and Taiwan, making it the organization with the greatest training capacity among China's high-quality cosmetic chains, with training academies able to accommodate more than 2,000 people. From 1997 up to the present, with the aim of providing high quality training for professional beauticians, and with continuous career development as the keystone of course planning, we have established a three-stage elite training system for beauticians, which consist of Basic Training, Beauty Ambassador, and Advanced Adviser phases. Course content, which is designed according to different customer bases, includes: corporate culture, beauty treatment planning, image-creation for individual professionals, education for developing lecturing abilities, customer psychology and response treatment, store management practices, basic / advanced products and Mass skin care skills, advanced warehouse management and marketing capabilities, high level seminars in advanced business development, new products and skin care knowledge.

At the same time, with respect to those business operators who would like to join the franchise, suitable systems training is carried out according to whether they are new entrants or existing business managers, and those relatively more mature franchisees on the market are encouraged to share their successful experiences, so that new franchisees are able to get their businesses on track as quickly as possible, and begin market operations. In this way, business risks are reduced, and specification management is effectively unified.

E. Vertical Integration of the Industry Chain

The Company controls every stage in chain, from the upstream development and production of skin care formulas, to skin care product manufacturing and packaging, and then on to the downstream sales of skin care products. The Company's trading value includes R & D, production, marketing, branding and channeling, forming a complete integrated industry advantage.

5) The long-ranged view of advantage and disadvantage development factors and countermeasures

A. Advantage factor

(A) Cluster Effect of Well-known Franchise Brands

Mainland Chinese cosmetics market brand competition is fierce, with some good operators and some bad. However, under the long present shadow of products traded by unscrupulous merchants, in their choice of goods or services the mainland Chinese public are more inclined to select well-known brands. Apart from being able to be regarded as having a variety of safety reasons as the basis for this, at the same time it is also an expression of individual or corporate taste and value. Chlitina has spent many years cultivating the mainland Chinese market and establishing firm brand loyalty. More than three thousand physical operating base currently on the mainland, effectively enhance the general public's recognition and attraction towards our products, while at the same time through their clustering effect, they wield a progressively bigger magnetic effect, steadily expanding our business territory.

(B) Cultivation of Corporate Image

In 2011, Chlitina won the 'Well-known Chinese Trademark' award, the highest corporate trademark recognized by the National Bureau of Statistics of the Peoples' Republic of China. Well-known Taiwanese brands which have been awarded this honored include Acer, BenQ, President, Giant...and so on. It demonstrates that 'brand awareness', 'reputation', and 'customer service' have generally been recognized by the state and by consumers.

At the same time Chlitina has also spared no effort with respect to its corporate social responsibilities, actively participating in and organizing social concern activities and literary sponsorship. We have used the enterprises' own resources to carry forth a selfless spirit of 'love and sharing', so that people in need can feel society's warmth, and our setting an example by first-hand public investment has won an enthusiastic and positive response, implying that our corporate brand is well recognized by the public and the government, and has an absolute niche point on the market.

(C) Increase in Domestic Demand in Mainland China Stimulates Economy and New Urbanization Strategy

According to a '2016 National Economic and Social Development Statistics Bulletin' issued by the PRC's National Bureau of Statistics, the mainland region's GDP growth rate was 6.7%. Tertiary industries accounted for 51.6% of domestic GDP. Driven by various factors such as industrialization, the spread of information technology as well as consumer upgrading, the service industry showed strong growth.

Tertiary industry value added over the same period of the previous year grew by 7.8%. Urbanization is still a national development strategy. The urban resident population accounts for 57.35% of the total population, and per capita disposable income of urban residents grew by 7.8% over the previous year. Also, according to a Euromonitor International report issued on the relevant industry, 2016 to 2021 future of China's cosmetics market compound annual growth could reach 5.4%, the process of urbanization and per capita disposable income of urban residents boosting the Chinese consumer goods market. There is great potential especially in the cosmetics industry and the services sector. Solid growth in GDP is expected, and the macroeconomic environment continues to improve, providing the Company with strong growth momentum and opportunities for expansion.

(D) Expert-level Personnel Education

Chlitina has an education and training center of approximately 6,000 square meters of in Shanghai's Songjiang district, set in an elegant European building with modern hardware space, including professional classrooms and centrally managed accommodation, offering the most professional and advanced services to develop knowledge and training. From the moment new students enter, correct concepts and brand familiarity is established, and the curriculum is planned around the keystone of career continuity. It is taught in a three-stage elite training system for beauticians, which consists of Basic Training, Beauty Ambassador, and Advanced Adviser phases. Course content, which is designed according to different customer bases, includes: store management practices, basic / advanced products and Mass skin care skills, advanced warehouse management and marketing capabilities, high level seminars in advanced business development, new products and skin care knowledge, providing superior quality training for professional's beauticians. Providing a consistently high quality service for the manpower growth requirements of retail markets, and utilizing a synchronized upgrade of software and hardware, can wield a very pronounced effect on reputation and brand visibility. In a highly competitive market, Chlitina has progressively accumulated a potent market growth.

(E) Service Management Standards for the Cosmetics Industry

Chlitina's requirements regarding institutional guidelines, are in line with the service management practices determined for the beauty industry by mainland China's government. Through organization education and guidance, we are able to carry out more stringent requirements, in order to dominate competition in the beauty industry.

(F) Self-owned R & D Capabilities and Research in the Field of Regenerative Medicine

a. Basic Research

The latest skin physiology literature and research reports are constantly collected and analyzed by R & D personnel with a wealth of experience in the field, to serve as a basis for research and ensure the efficacy and forward-looking nature of our products. This includes the mechanisms of aging, the causes of melanin biosynthesis, skin moisture retention and reconstruction functionalities, allergic reactions and

immune barrier functions, and other suchlike biochemical pathways. For each biochemical reaction, we search for the antagonist, to stimulate or inhibit the effective components of each biochemical reaction, in order to improve the strengthening and comprehensiveness of the product formula functionality.

b. Pharmaceutical Agent-type Research

Through expertise in fields such as interface chemistry and colloid chemistry, flexibly employed in different pharmaceutical agent formulas such as soluble, colloidal, dispersed, and suspended formulas, emulsified micro-emulsions, nano-emulsions, and so forth, we design excellent formula pharmaceuticals with sensory qualities of penetration, gradually release, touch, smell, and tactile feeling which can be evaluated.

c. Processing Research

Combining different mechanical forces such as mixing, cutting, crushing, grinding and homogenization to demonstrate the consistency and stability of mass product quality, senior researchers combined three items of professional expertise and experience to continuously develop novel products which may be mass produced and possess stable quality.

d. Research on the Regenerative Medicine

It works with the experts in the field of regenerative medicine from the nationwide well-known research institute, to apply the R&D advantages and achievements of regenerative medicine in the existing products and channels, so as to improve the innovation of products and course of treatment.

B. Disadvantage Factors and Their Countermeasures

(A) Movement of Professional Beauticians

Professional beauticians are the mainstay of beauty salons. Training and education generally takes about two years to complete, but due to the annual turnover ratio for the industry as a whole being too high, this has led to an uneven quality of professionalism in beauticians. Also, the intensity of market competition can easily cause substantial movement of professional beauticians.

Response Measures:

According to internal statistics, of the professional beautician personnel participating in more than two instances of corporate training every year, the retention rate can reach more than 90%, and by changing the original centralized education system of headquarters training mechanism, and adopting a nationwide training scheme divided at each province and point, to reduce costs in terms of time, traffic, and so on, we have thereby improved the personnel retention rate. And this can be updated with the latest product information and service education and training.

Chlitina has complete education and training mechanisms, with a three-stage elite training system for beauticians, which consists of Basic Training, Beauty Ambassador, and Advanced Adviser phases. Enhanced learning is carried out according to the market distribution needs, and to the learning stage, and there are 25 training bases in mainland China and Taiwan, which hold intensive learning education courses, providing a complete and constant source of professional human resources.

(B) Price Fluctuations Affect Operating Costs

As Chlitina products boast natural plant extracts and essences, the main raw materials include rose, herb pollen, seabed algae, vitamins, amino acids and various rare plants. The diverse characteristics of their places of origin make obtaining raw materials vulnerable to the impacts of climate, which affects the cost of production. Also, packaging materials include paper packaging, plastic packaging, glass packaging and other packaging materials whose costs are also affected by fluctuations in crude oil prices, which affect the purchase price.

Response Measures:

Although medicinal plants and fluctuations in crude oil prices push up goods and hardware costs slightly, by expanding the overall system scale, a relative reduction in the money spent on operating costs can be achieved. Chlitina's main cost source is the outlet operating costs for providing sophisticated services. Relative to the Company's product pricing, the cost of raw materials is comparatively small, and through personnel organization training and education the value of services can be increased. Also, through the use of digital technology, distribution of remote terminal education and information can be increased, and thus also correspondingly reduce the cost of training.

2. Application of Our Company's main products and production process

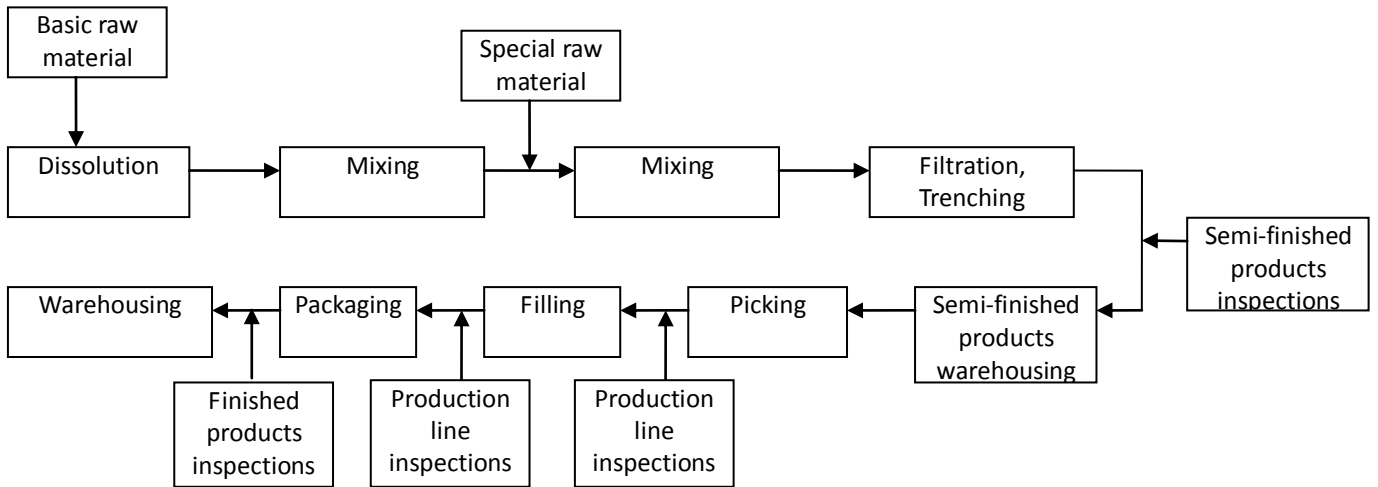
(1) Application of Our Company's main products

The company's main products are cosmetic skin care products. Their purpose is for females to apply to the face for skin care, whitening, tenderizing, wrinkle elimination and anti-aging, and the sales channel is through the brand Franchise approach, with the company providing training to industry operators joining the franchise, training professional skin care and cosmetics personnel for them. Through its unified manufacturing, the company's provide the products to franchisees.

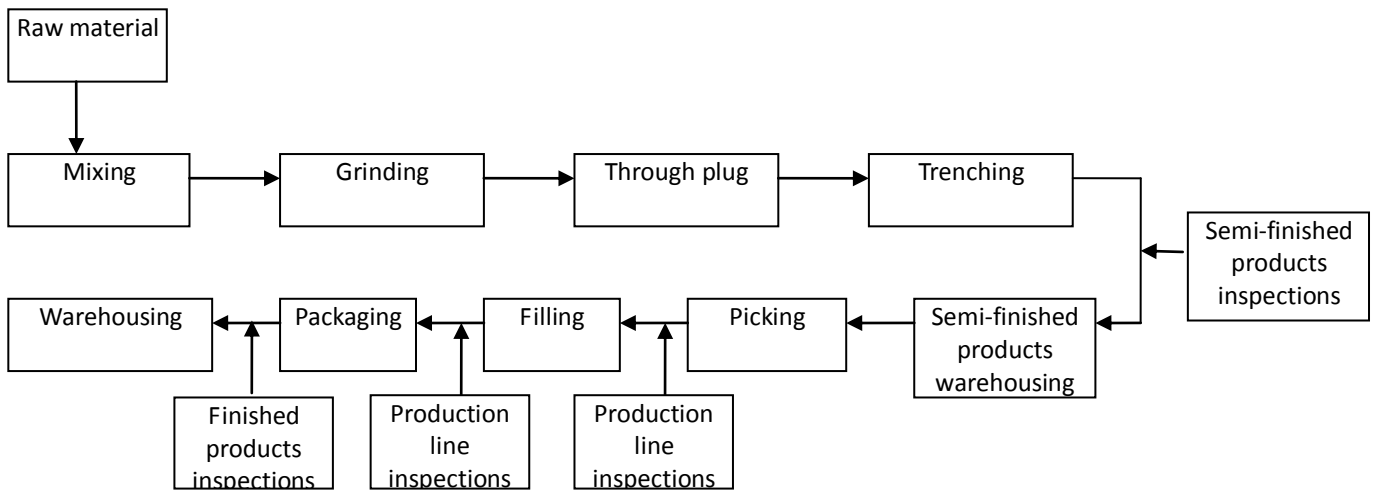
(2) The manufacturing process of main products

Based on production equipment, facilities and production capabilities, the company applied for and received three single-unit categories of production qualification for its products: general liquid unit (cleanser category, skin care liquid category, and gel category), creams and lotions unit (skin care cleaning category, hair use category), powder unit (lump powder, loose powder). The process is as follows:

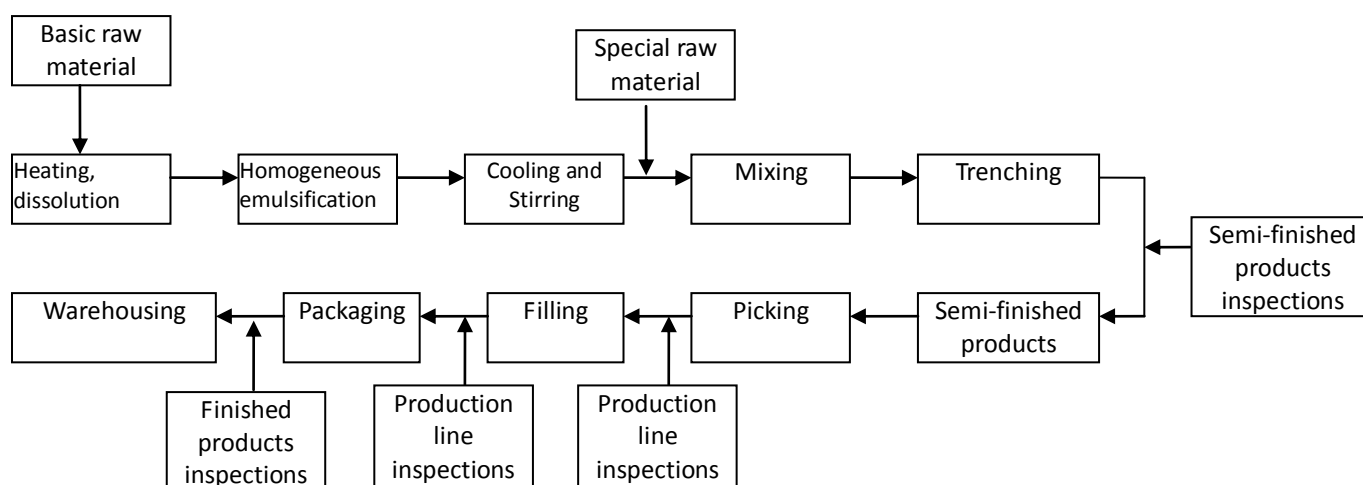
General Liquid Unit Production Work Order Process:



Creams and lotions Unit Production Work Order Process:



Powder Unit Production Work Order Process:



3. Supply for main materials

The main raw materials for the cosmetic skin care products produced by the Company include chemical raw materials, semi-finished products, packaging materials, and so on, for which there are many suppliers. The main raw material supply situation over the most recent three years has been very good, and we have not experienced any shortage in the supply of raw materials. The company continues to supervise its suppliers and seeks product quality which meets company requirements, while at the same time also being able to provide manufacturers who offer more favorable costs the opportunity to become cooperative partners. For this reason, there has also been some adjustment in terms of suppliers due to above-mentioned procurement strategy. In order to maintain flexibility in the purchase of raw materials while at the same time ensuring the source of raw materials, the company signs one-year service contracts with a small number of suppliers, to facilitate making appropriate adjustments. With respect to the various main raw materials and items, we always maintain supply from a number of suppliers, and the Company also maintains good long-term cooperative relations with each of its suppliers, to ensure the stability of the sources of supply.

4. Explanation for significant changes in gross margin for major products or departments in the last two year

Significant changes in gross margin for major products or departments in the last two year

Unit: NTD 1,000

Item	Year	2015	2016
Operating revenue		4,394,264	3,360,584
Gross margin		3,338,536	2,698,304
Gross margin ratio		75.97%	80.29%
Change ratio of gross margin ratio		(5.90)	5.68

Note: Because the gross margin of processing income was lower, gross margin ratio decreased in 2015.

5. Key suppliers and Customers

(1) Names of suppliers accounting for more than 10% of the total purchase in any of the previous two years and its purchase amount and ratio, and explanation for the increase or decrease change reasons

Unit: NTD 1,000; %

Year	2015				2016				As of Q1 of 2017			
Item	Client Name	Amount	% of total net purchase	Relation	Client Name	Amount (NTD 1,000)	% of total net purchase	Relation	Client Name	Amount (NTD 1,000)	% of total net purchase	Relation
1	Company A (note)	251,968	24.04	None	Company A (Note)	78,882	13.29	None	Other	157,440	100	
2					Charming Biotech Corporation	77,804	13.11	related party				
	Other	796,228	75.96		Other	436,957	73.60	None				
	Total	1,048,196	100	—	Total	436,957	73.60	—	Total	157,770	100	—

Note: Our Company has signed the confidential agreement with the said company.

Reasons for change:

Most our company's purchase is chemicals, semi-finished products, packaging material, and health drinks. Our company purchases chemicals, semi-finished products, and packaging material from multiple suppliers to ensure no shortage or interruption of supplies. Moreover, the processing income decrease in 2016 led to less net purchase from the company A. Overall, the change in suppliers in the past two years is reasonable.

(2) The sales amount and percentage for the clients that purchase more than 10% of total sales in any year of the last two years and. The reason of change was explained.

Unit: NTD 1,000;%

Year	2015				2016				Q1 of 2017			
Item	Client Name	Amount	% of total net sale	Relation	Client Name	Amount (NTD 1,000)	% of total net sale	Relation	Client Name	Amount (NTD 1,000)	% of total net sale	Relation
1	Kelti (China) Daily Product Co., Ltd.	1,267,561	28.85	Related party	Kelti (China) Daily Product Co., Ltd.	436,682	12.99	related party				
2	Other	3,126,703	71.15	None	Other	2,923,902	87.01	None	Other	718,091	100	None
	Total	4,394,264	100.00	—	Total	3,360,584	100.00	—	Total	718,091	100	—

Reasons for change:

Our products are mainly for the domestic market of China. Our market positioning is franchise brand. Our company establishes brand platform, maintains sales network, and maintain brand franchise relation with our franchisee. In recent years, the success in franchise business development steadily increased sales. Our sales clients are numerous and widely distributed. There is no customer concentration risk because no client has net sales weight more than 10% in the last two years except Kelti (China). Overall, there has been no significant anomaly in the changes of sales client in the last two year.

6. Production Volume and value in the past 2 years and change analysis

Unit : kpcs ; NTD 1,000

Production Volume and value Main products	Year	2015			2016		
		Production capacity	Production volume	Production amount	Production capacity	Production volume	Production amount
Facial care products	16,050	16,050	6,980	331,668	17,800	3,646	216,948
Body products			56	7,952		34	4,966
Aromatic products			29	2,919		68	4,910
Other			61	7,978		60	10,173
Total			7,126	350,517		17,800	3,808

7. Sales Volume and value in the past 2 years and change analysis

Unit: kpcs; NTD 1,000

Year Sales volume Item	2015				2016			
	Domestic sales		Export sales		Domestic sales		Export sales	
	volume	Value	volume	Value	volume	Value	volume	Value
Face care products	143	129,349	2797	2,603,273	208337	131,676	2824	2,519,405
Body products	0	0	68	85,045	453	73	42	44,866
Aromatic products	7	4,892	20	7,378	4454	3,493	12	6,059
Other	43	9,043	846	1,555,284	41216	9,862	697	645,150
Total	193	143,284	3731	4,250,980	254460	145,104	3575	3,215,480

iii. Personnel Information in the latest 2 years

Item		2015	2016	End of Mar 2017
Number of employees	Manager	66	66	72
	General employees	519	487	462
	Production line employees	59	46	44
	Total	644	599	578
Average age		34.27	35.27	35.46
Average year of service		3.91	4.24	4.19
Education (%)	Doctoral	0.00%	0.17%	0.17%
	Master	3.11%	3.34%	3.11%
	University / College & University	70.03%	68.45%	75.09%
	High School and below	26.86%	28.05%	21.63%
	Total	100.00%	100.00%	100.00%

iv. Environmental Conservation Expense

The manufacture of cosmetic skin care products, in the overall production chain, is itself a 'low-pollution, high-skill', environmentally friendly-type of business. Production processes focus on formula research, precision deployment of biotech raw materials, and packaging. The company's application of advanced processes such as vacuum emulsifying and mixing, continuous cooling, high speed shearing and mixing, micro-jet collision high-pressure homogenization, and so forth, is applied to clean natural ingredients, to make each one of our praise-winning quality care cosmetic products.

Shanghai's Songjiang District Environmental Protection Bureau has issued a certificate of qualification as a proof of environmental compliance with the law, confirming the Company's determination to actively implement a corporate concept of environmental protection.

1. According to legal provisions, those who should apply for a pollution facility installation permit, or a pollution discharge permit, or pollution control costs which should be paid, or those who should establish a dedicated environmental personnel unit, the relevant application, payment or establishment circumstances are explained:

The production plant of the Company's subsidiary company, Weishuo Company, is located in mainland China's Shanghai, implements ISO 9001 quality and 14001 environmental management systems, complies with the standards of good manufacturing practices (GMP), and has obtained hazard analysis and critical control point (HACCP) compliance verification certification. At the time the plant was established, and an environmental assessment report was made. Also, as plant was leased from a stakeholder, the wastewater produced by the production process, as the wastewater discharged from the pipe did not meet drainage standards, so at present uses Chitlina's China company's installment of water treatment equipment for physicochemical and biochemical treatment after which the wastewater is discharged into sewage pipes. And the stakeholder has also obtained a drainage permit. Furthermore, with respect to waste disposal, we have also signed contracts with qualified waste disposal firms, who carry out regular treatment.

2. Possible benefits generated for listed companies through major investment in environmental pollution prevention equipment and their usage: none
3. Pollution dispute incidents in the last two years and up to the date when the explanatory statement was published, and, during the Company's improvement of environmental pollution, treatment processes which should be explained: none.
4. Due to environmental pollution caused by the Company, losses (including compensation) suffered by the Company in the last two years and up to the date when the explanatory statement was published, total amount of penalty, and exposition of future response measures (including improvements) and possible expenditures (including possible loss due to the failure to take countermeasures, penalties and estimated amount of compensation, if unable to be reasonably estimated, reasonable explanation for this should be provided): none.
5. Explanation of the current state of pollution and the effect of its improvement on the company's profits, the competitive position and capital expenditure, and of projected major environmental capital expenditures over the next two years: none.

v. Employee Relations

1. Our company is committed to offering our employees an environment to develop their capabilities. Our employee welfare measures, advanced studies, training, retirement system and other measures

to protect employees' rights and interests as follows.

(1) Welfare measures and their implementation status

The principal place of operations within the Company group is mainland China. The Company's personnel welfare measures, apart from being in compliance with the Law of the People's Republic of China on Employment Contracts, Shanghai Municipality Labor Contract Regulations and being in line with local government's labor insurance and health insurance, in accordance with the relevant Chinese laws, regulations and implemented policies, we also offer employees a variety of benefits, bonuses, holidays, cultural and recreational activities, training plans, social insurance and other related benefits.

(2) Continuing education

Expertise is the Company's most important core competency. And continuing education and training can stimulate the personal potential of employees to improve their knowledge, thus making effective use of manpower, improving the Company's overall business performance, and achieving its operational goals. To raise the quality of staff and their skills, pre-service training is carried out as soon as new employees are hired, and management and specialized training is also carried out for management staff depending on their requirements.

(3) Retirement System and Implementation Status

The Company's main base of operations is located in mainland China. Employees participate in pension insurance according to the provisions of local labor laws and regulations. The company sets aside employee insurance on a monthly basis in accordance with local regulations, to safeguard employee benefits.

(4) Labor Agreements & Employees' Right Protection

The Company's formulation of work rules is in conformity with legal requirements explicitly regulating working conditions, and safeguarding the interests of employees. We have also set up a complaint channels so the rights and interests of employees can be protected fairly and reasonably through a variety of channels. So far, no major labor disputes have ever occurred at the Company.

2. Description of losses suffered by the Company in the most recent year and up to the day of printing the Annual Report, due to labor disputes, and exposition of current and possible future response measures and estimated expenditures, if unable to be reasonably estimated, reasonable explanation for this should be provided

The Company has always enjoyed harmonious labor relations, and has not suffered any significant losses due to labor disputes. We do not expect any significant losses due to labor disputes arising in coming year.

vi. Code of Conduct

(1) Chlitina Intelligence Limited

Type of Contract	Principal	Validity Period	Main Content	Limitation Articles
Trademark licensing agreement	Kelti (China) Daily Product Co., Ltd.	Jan. 1, 2016 ~ Dec. 31, 2017	Authorize the use of the trademark (3DR, peekaboo)	None

(2) Chlitina (China) Trade Limited

Type of Contract	Principal	Validity Period	Main Content	Limitation Articles
Distribution Contract	Sagittarius Life Science Corp.	Jan. 1, 2014-Dec. 31, 2016	Distribution Contract	None

(3) Weishuo Company

Type of Contract	Principal	Validity Period	Main Content	Limitation Articles
Lease Contracts	Kelti (China) Daily Product Co., Ltd.	Jan. 1, 2017 to Dec. 31, 2020	House Lease Contracts	None

VI. Financial Status

i. Simplified Financial Data for the Last 5 Years

1) Simplified balance sheet

Unit: NTD 1,000

Year Item		Last 5 years' financial data					
		2012 (note 1)	2013 (note 1)	2014 (note 1)	2015 (note 1)	2016 (note 1)	Mar. 31, 2017 (note 1)
Current assets		1,408,247	3,159,779	2,994,416	4,735,959	4,259,186	4,147,727
Real estate, factory building, and equipment		487,171	1,109,323	1,148,643	1,066,537	975,309	926,717
Intangible assets		-	-	107,244	39,385	39,037	36,428
Other assets		56,437	68,502	149,053	132,972	336,418	155,364
Total assets		1,951,855	4,337,604	4,399,356	5,974,853	5,609,950	5,266,236
Current liabilities	Before appropriation	775,680	976,638	1,061,804	1,167,968	2,029,827	1,846,947
	After appropriation	1,056,240	1,468,734	1,618,250	1,962,892	Note 2	-
Non-current liabilities		183,972	395,015	7,969	860,156	183,972	4,301
Total liabilities	Before appropriation	959,652	1,371,653	1,069,773	2,028,124	2,050,128	1,851,248
	After appropriation	1,240,212	1,863,749	1,626,219	2,823,048	Note 2	-
Equity attributable to owners of the parent company		992,203	2,965,951	3,329,583	3,946,729	3,559,822	3,414,988
Capital		668,000	757,070	794,924	794,924	794,924	794,924
Capital surplus		271	1,411,501	1,419,463	1,456,484	1,456,484	1,456,484
Retained earnings	Before appropriation	335,199	710,975	987,689	1,598,085	1,533,427	1,626,307
	After appropriation	54,639	218,879	431,243	803,161	Note 2	-
Other Equity		(11,267)	86,405	127,507	97,236	(181,806)	(346,164)
Treasury stock		-	-	-	-	(43,207)	(116,563)
Non-controlling equity		-	-	-	-	-	-
Total equity	Before appropriation	992,203	2,965,951	3,329,583	3,946,729	3,559,822	3,414,988
	After appropriation	711,643	2,473,855	2,773,137	3,151,805	Note 2	-

Note 1: Our Company was established on July 3, 2012. 2012 to 2016 Simplified Balance Sheet is a CPA certified financial statement. The 2017 first quarter financial statement is reviewed by CPA.

Note 2: The 2016 profit distribution is scheduled to be discussed in the regular shareholders meeting.

2) Simplified Statements of Comprehensive Income

Unit: NTD 1,000

Year Item	Last 5 years' financial data (note 1)					
	2012 (note 1)	2013 (note 1)	2014 (note 1)	2015 (note 1)	2016 (note 1)	Q1 of 2017 (note 1)
Operating revenue	2,408,559	2,701,472	3,071,369	4,394,264	3,360,584	718,091
Gross margin	1,992,161	2,118,238	2,479,834	3,338,536	2,698,304	593,357
Operating profit or loss	790,692	811,426	877,892	1,371,183	1,003,647	178,770
Non-operating revenue & expense	14,033	55,531	119,389	70,466	21,419	(36,548)
Pre-tax net profit	804,725	866,957	997,281	1,441,649	1,025,066	142,222
Net profit for the period of continuing operations	590,385	693,228	755,837	1,167,087	730,790	92,880
Loss of discontinued operations	-	-	-	-	-	-
Net profit (loss) for the period	590,385	693,228	755,837	1,167,087	730,790	92,880
Other comprehensive profit or loss current period (Net after tax)	(17,909)	60,780	76,529	(30,516)	(279,566)	(164,358)
Total comprehensive profit or loss current period	572,476	754,008	832,366	1,136,571	451,224	(71,478)
Net profit attributable to owners of the parent	590,385	693,228	755,837	1,167,087	730,790	92,880
Net profit attributable to Non-controlling equity	-	-	-	-	-	-
Comprehensive profit or loss attributable to owners of the parent	572,476	754,008	832,366	1,136,571	451,224	(71,478)
Comprehensive profit or loss attributable to Non-controlling equity	-	-	-	-	-	-
EPS (\$)	8.84	9.70	9.51	14.68	9.19	1.18

Note 1: Our Company was established on July 3, 2012. 2012 to 2016 Simplified Balance Sheet is a CPA certified financial statement. The 2017 first quarter financial statement is reviewed by CPA.

3) Names of the CPAs and their audit opinions over the last five years:

Year	The Name of the CPA	The Name of the Office of CPA	Audit Opinion
2012	Huang, Po-Shu, Yu, An-Tian	KPMG	Unqualified opinion
2013	Huang, Po-Shu, Yu, An-Tian	KPMG	Unqualified opinion
2014	Huang, Po-Shu, Yu, An-Tian	KPMG	Unqualified opinion
2015	Huang, Po-Shu, Yu, An-Tian	KPMG	Unqualified opinion
2016	Huang, Po-Shu, Yu, An-Tian	KPMG	Unqualified opinion

ii. Analysis for the last 5 years' Financial Status

Year (note 1) Categories (Note 3)		Analysis for the last 5 years' Financial Status					As of Mar. 31, 2017 (note 2)
		2012	2013	2014	2015	2016	
Financial structure (%)	Ratio of liabilities to assets	49.17	31.62	24.32	33.94	36.54	35.15
	Ratio of long-term capital to real estate, factory building, and equipment	241.43	302.97	290.56	450.70	367.08	368.97
Solvency %	Current ratio	181.55	323.54	282.01	405.48	209.83	224.57
	Quick ratio	150.19	292.38	255.18	360.72	182.39	192.76
	Times interest earned	67.03	67.70	63.23	1,015.53	60.44	33.58
Operation capacity	Receivables turnover ratio (times)	234.00	336.82	182.78	12.67	9.92	223.02
	Average collection days	2	1	2	29	37	2
	Inventory turnover ratio (times)	1.56	2.51	2.44	3.01	1.41	1.01
	Payables turnover ratio (times)	2.39	15.73	15.27	10.01	4.97	5.12
	Average sales days	234	145	150	121	258	360
	Real estate, factory building, and equipment turnover ratio (times)	5.18	3.38	2.72	3.96	3.29	3.02
	Total assets turnover ratio (times)	1.40	0.86	0.70	0.84	0.58	0.53
Profitability	Return on assets (%)	34.79	22.37	17.58	22.52	12.83	7.04
	Return on equity (%)	82.03	35.03	24.01	32.07	19.47	10.65
	Ratio of pre-tax net profit to paid-in capital (%)	120.47	114.51	125.46	181.35	128.95	71.57
	Net profit ratio (%)	24.51	25.66	24.61	26.55	21.75	12.93
	EPS (NTD)	8.84	10.25	9.51	14.68	9.19	1.18
Cash flows	Cash flow ratio (%)	81.97	81.39	77.60	47.07	72.62	-5.39
	Cash flow adequacy ratio (%)	(Note3)	-	-	-	-	
	Cash re-investment ratio (%)	49.16	14.70	9.30	-0.13	17.17	-2.62
Leverage	Degree of operational leverage	1.22	1.26	1.29	1.18	1.21	1.33
	Degree of financial leverage	1.02	1.02	1.02	1.00	1.02	1.03

Please explain the causes of changes in various financial ratios in the last two years. (No need to analyze if the changes are less than 20 %.)

1. Financial structure: The change did not reach 20%

2. Solvency

Current ratio and quick ratio decrease: As the Company issued the unsecured convertible debentures in 2015 in ROC for the first time, the non-current liability transfer to current liability in 2016, resulting in considerable increase of current liability.

Times interest earned decrease: Mainly resulted from decrease of the pre-tax gains and losses.

3. Operation capacity

Receivables turnover ratio decreases and average collection day increase: The main cause is the relative party account receivable balance as at December 12, 2016 decrease significantly.

Inventory turnover ratio decrease and average sales days increase: Mainly caused by increase of inventory and decrease of sales cost

Payables turnover ratio decrease: Mainly caused by decrease of the account payable for this period

Total assets turnover ratio decrease: Mainly caused by the decrease of operating revenue..

4. Profitability

Return on assets increase and return on equity decrease: Mainly resulted from the decrease of operating revenue.

Pre-tax net profit to paid-in capital ratio decrease: The main cause is the significant decrease of pre-tax net profit.

Earnings per share decrease: Mainly caused by decrease of net profit.

5. Cash flow

Cash flow ratio decrease and cash reinvestment ratio decrease: As the Company issued the unsecured convertible debentures in 2015 in ROC for the first time, the non-current liability transfer to current liability in 2016, resulting in considerable increase of current liability.

6. Leverage

The change did not reach 20%.

Note 1: Our Company was established in July 2012. Only the 2012 consolidated financial report were prepared.

Note 2: The 2012 financial analysis ratio information is based on the CPA reviewed and certified consolidated financial statement. The 2017 first quarter financial analysis ratio information is based on the CPA reviewed and certified consolidated quarterly financial report.

Note 3: Operating net cash flow and capital expenses information of the last 5 years is not available, therefore, not calculated.

Note 4: Financial ratio equations are listed in the following table:

1. Financial structure

(1) Ratio of liabilities to assets = Total liabilities / Total Assets

(2) Ratio of long-term capital to real estate, factory building, and equipment = (Total equity + Non-current Liabilities) / Net Real estate, factory building, and equipment

2. Solvency

(1) Current Ratio = Current asset / Current Liabilities

(2) Quick Ratio = (Current asset – Inventory - Prepaid expense) / Current Liabilities

(3) Times interest earned = Net profit before income tax and interest expense / Interest expenses of the period

3. Operation capacity

- (1) Account receivables (including accounts receivables /notes receivable from sales) = net sales / average receivables for each period (including accounts receivables /notes receivable from sales)
- (2) Average collection days = 365 / Receivables turnover ratio
- (3) Inventory turnover ratio = sales cost / Average inventory
- (4) Payables (including accounts payable and notes payable from business) turnover ratio = Sales cost / Balance of average payables (including accounts payable and notes payable from sales)
- (5) Average sales days = 365 / Inventory turnover ratio
- (6) Real estate, factory building, and equipment turnover ratio = Net sales / Net average Real estate, factory building, and equipment
- (7) Total assets turnover ratio = Net sales / average total assets

4. Profitability

- (1) Return on assets = [Profit or loss after tax + Interest expense × (1 - Tax rate)] / average total assets
- (2) Return on equity = Profit or loss after tax / Average total equity
- (3) Net profit ratio = Profit or loss after tax / Net sales
- (4) EPS = (Equity attributable to owners of the parent company - Dividends of preferred stock) / Weighted average shares issued

5. Cash flows

- (1) Cash flow ratio = Net cash flows of operating activities / Current Liabilities
- (2) Net cash flow adequacy ratio = Net cash flows of operating activities in latest 5 years / (Capital expense + Increase in inventories + Cash Dividends) in last 5 years
- (3) Cash re-investment ratio = (Net cash flows of operating activities - Cash Dividends) / (Gross of Real estate, factory building, and equipment + Long-term investments + other non-current asset + Working capital) (note 4)

6. Leverage:

- (1) Degree of operational leverage = (Net operating revenue - Variable operating costs and expenses) / Operating profit
- (2) Degree of financial leverage = Operating profit / (Operating profit - Interest expense)

iii. The last year's Financial Reports, Audit Committee's Audit Report

Chlitina Holding Limited

Audit Committee's Audit Report

The Committee hereby approves the Company's 2015 business report, financial reports and earnings distribution statement prepared and submitted by the board of directors, in which, as consigned by the board of directors, the CPAs of Yu, An-Tien and Huang, Po-Shu at KPMG in Taiwan completed their audit of the financial reports and issued an audit report. The Audit Committee already reviewed the preceding reports and documents prepared and submitted by the board of directors, and considered them not inconsistent. Hence, the committee issues the report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of Taiwan's Company Act. Please take note of it.

To: 2016 Regular Shareholders' Meeting of Chlitina Holding Limited



Chlitina Holding Limited

Audit Committee

Convener : Yuqin Cai

A handwritten signature in black ink, appearing to be '蔡玉琴' (Cai Yuqin), written over a horizontal line.

Date: Mar. 4, 2016

Chlitina Holding Limited

Audit Committee's Audit Report

The Committee hereby approves the Company's 2015 business report, financial reports and earnings distribution statement prepared and submitted by the board of directors, in which, as consigned by the board of directors, the CPAs of Yu, An-Tien and Huang, Po-Shu at KPMG in Taiwan completed their audit of the financial reports and issued an audit report. The Audit Committee already reviewed the preceding reports and documents prepared and submitted by the board of directors, and considered them not inconsistent. Hence, the committee issues the report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of Taiwan's Company Act. Please take note of it.

To: 2016 Regular Shareholders' Meeting of Chlitina Holding Limited



Chlitina Holding Limited

Audit Committee

Member

: Pengwen Kao

Date: Mar. 4, 2016

Chlitina Holding Limited

Audit Committee's Audit Report

The Committee hereby approves the Company's 2015 business report, financial reports and earnings distribution statement prepared and submitted by the board of directors, in which, as consigned by the board of directors, the CPAs of Yu, An-Tien and Huang, Po-Shu at KPMG in Taiwan completed their audit of the financial reports and issued an audit report. The Audit Committee already reviewed the preceding reports and documents prepared and submitted by the board of directors, and considered them not inconsistent. Hence, the committee issues the report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of Taiwan's Company Act. Please take note of it.

To: 2016 Regular Shareholders' Meeting of Chlitina Holding Limited



Chlitina Holding Limited
Audit Committee

Member : Hongding Yu

于弘鼎

Date: Mar. 4, 2016

iv. Financial reports of the last year

Stock Code:4137

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**CHLITINA HOLDING LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)**

**Address: Cricket Square, Hutchins Drive, PO Box 2681,
Grand Cayman, KY1-1111, Cayman Islands**

Tel: 86 21 22201388

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.



安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of CHLITINA HOLDING LIMITED:

Opinion

We have audited the consolidated financial statements of CHLITINA HOLDING LIMITED and subsidiaries ("the the Group"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Refer to Note 4(o), Note 5 and Note 6(o) for disclosure related to revenue recognize.



Description of the key audit matter:

Revenue recognition is one of the key judgmental areas for our audit, particularly in respect of the estimates made for rebates and returns under contractual requirements which are deducted from related revenue. In addition, revenue is one of the key indicators for managements and investors to measure financial and business performance of the Group, which is considered to be one of the key matters in our audit.

How the matter was addressed in our audit:

Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; analyzing the changes in top 10 customers from the most recent period and last year and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; obtaining and reviewing Group management's calculation, and selecting contract for sampling to verify whether the calculation is reasonable for provision on estimated sales allowances and returns; selecting sales transaction from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the 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.

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ann Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2017

Note to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHITINA HOLDING LIMITED and subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

(All amounts expressed in thousands dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Assets								
Current assets:								
Cash and cash equivalents (note 6(a))	\$ 768,630	3,547,841	63	679,967	3,396,435	58		
Financial assets at fair value through profit or loss—current (note 6(b))					9			
Accounts receivable, net (note 6(c))	512	2,364	220	1,099				
Accounts receivable—related parties, net (notes 6(c) and 7)	1,901	8,777	133,131	664,989	11			
Other receivables (note 6(c))	2,213	10,679	4,399	21,973				
Other receivables—related parties (notes 6(c) and 7)	584	2,696	946	4,725				
Inventories (note 6(d))	99,909	461,280	8	87,443	436,778	7		
Prepayments (note 7)	20,715	95,641	2	17,231	86,069	1		
Other current financial assets (note 6(e))	23,122	106,754	2	22,776	113,467	2		
Other current assets	5,015	23,154		2,065	10,315			
Total current assets	922,801	4,239,186	75	948,140	4,735,939	79		
Non-current assets:								
Investments accounted for using equity method (notes 6(f) and 11)	38,562	178,041	3	15,854	79,191	1		
Property, plant and equipment (notes 6(g) and 7)	211,243	973,309	18	213,521	1,066,537	18		
Intangible assets (notes 6(f) and 7)	8,455	39,037	1	7,885	39,385	1		
Deferred income tax assets (note 6(i))	4,097	18,916		10,767	53,781			
Other non-current assets	30,206	139,461	3					
Total non-current assets	292,563	1,350,764	25	248,027	1,238,894	21		
Total assets	\$ 1,215,364	\$ 5,609,950	100	1,196,167	\$ 6,014,833	100		
Liabilities and Stockholders' Equity								
Current liabilities:								
Financial liability at fair value through profit or loss—current (note 6(j))								
Accounts payable	4,366	20,160						
Accounts payable—related parties (note 7)	16,806	77,593	2	29,259	146,148	3		
Other payables	4,408	20,352		4,451	22,233			
Other payables—related parties (note 7)	24,309	112,235	2	24,411	121,933	3		
Current income tax liabilities	1,954	9,022		2,664	13,007			
Advance receipts	22,178	102,596	2	12,941	64,640	1		
Bond Payables, current (note 6(k))	40,962	189,122	4	39,848	199,040	3		
Other current liabilities (note 6(l))	187,560	865,965	16					
Guarantee deposits	85,552	394,990	7	64,322	321,288	5		
Total current liabilities	439,642	2,029,827	37	233,828	1,167,968	20		
Non-current liabilities:								
Financial liability at fair value through profit or loss—non-current (note 6(j))								
Bond Payables (note 6(k))	3,465	15,998		169,914	848,721	14		
Deferred income tax liabilities (note 6(i))	932	4,203		1,677	8,375			
Accrued pension liabilities (note 6(s))	4,397	20,301		172,204	869,156	14		
Total non-current liabilities	444,039	2,039,128	37	406,032	2,028,124	34		
Total liabilities	883,681	4,068,955	74	639,860	3,196,092	54		
Equity attributable to shareholders of the parent (notes 6(k), (l) and (m)):								
Common stock	16,172	794,924	14	161,772	794,924	13		
Capital surplus	294,208	1,456,664	26	294,208	1,456,664	24		
Retained earnings:								
Unappropriated retained earnings	60,972	295,114	5	36,908	178,405	3		
Other equities:	237,478	1,238,313	22	278,640	1,419,680	24		
Financial statements translation differences for foreign operations	298,450	1,533,427	27	311,548	1,598,085	27		
Treasury stock	(8,358)	(43,207)	(1)					
Total equity	571,072	3,539,824	63	796,135	3,946,729	66		
Total liabilities and stockholders' equity	\$ 1,215,064	\$ 5,609,950	100	1,196,167	\$ 6,014,833	100		

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands dollars)

	2016			2015		
	CNY	TWD	%	CNY	TWD	%
Operating revenue (notes 6(o) and 7)	\$ 693,977	3,360,584	100	873,056	4,394,264	100
Operating costs (notes 6(d), (g), (k), and 7)	<u>136,764</u>	<u>662,280</u>	<u>20</u>	<u>209,753</u>	<u>1,055,728</u>	<u>24</u>
Gross profit	<u>557,213</u>	<u>2,698,304</u>	<u>80</u>	<u>663,303</u>	<u>3,338,536</u>	<u>76</u>
Operating expenses (notes 6(g), (h), (k), (p) and 7):						
Selling expenses	252,137	1,220,974	36	273,573	1,376,950	31
Administrative expenses	<u>97,818</u>	<u>473,683</u>	<u>14</u>	<u>117,302</u>	<u>590,403</u>	<u>14</u>
Total operating expenses	<u>349,955</u>	<u>1,694,657</u>	<u>50</u>	<u>390,875</u>	<u>1,967,353</u>	<u>45</u>
Operating profit	<u>207,258</u>	<u>1,003,647</u>	<u>30</u>	<u>272,428</u>	<u>1,371,183</u>	<u>31</u>
Non-operating income and expenses (notes 6(f), (i), (k) and (q)):						
Other income	13,504	65,392	2	14,573	73,348	2
Other gains and losses	(3,727)	(18,051)	(1)	500	2,520	-
Finance costs	(3,561)	(17,244)	(1)	(282)	(1,421)	-
	<u>(1,792)</u>	<u>(8,678)</u>	<u>-</u>	<u>(791)</u>	<u>(3,981)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,424</u>	<u>21,419</u>	<u>-</u>	<u>14,000</u>	<u>70,466</u>	<u>2</u>
Net income before tax	211,682	1,025,066	30	286,428	1,441,649	33
Less: income tax expenses (note 6(l))	<u>60,770</u>	<u>294,276</u>	<u>8</u>	<u>54,550</u>	<u>274,562</u>	<u>6</u>
Net income	<u>150,912</u>	<u>730,790</u>	<u>22</u>	<u>231,878</u>	<u>1,167,087</u>	<u>27</u>
Other comprehensive income (loss) (notes 6(k) and (m)):						
Items that will not be reclassified subsequently to profit or loss						
Remeasurements of the defined benefit plans	(108)	(524)	-	(49)	(245)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	-	-	-	-	-	-
Total Items that will not be reclassified subsequently to profit or loss	<u>(108)</u>	<u>(524)</u>	<u>-</u>	<u>(49)</u>	<u>(245)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:						
Financial statement translation differences for foreign operations	3,346	(279,042)	(8)	12,680	(30,271)	(1)
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-	-	-
Total Items that may be reclassified subsequently to profit or loss	<u>3,346</u>	<u>(279,042)</u>	<u>(8)</u>	<u>12,680</u>	<u>(30,271)</u>	<u>(1)</u>
Other comprehensive income (loss), net of tax	<u>3,238</u>	<u>(279,566)</u>	<u>(8)</u>	<u>12,631</u>	<u>(30,516)</u>	<u>(1)</u>
Total comprehensive income	<u>\$ 154,150</u>	<u>451,224</u>	<u>14</u>	<u>244,509</u>	<u>1,136,571</u>	<u>26</u>
Earnings per share (note 6(n)):						
Basic earnings per share (in dollars)	<u>\$ 1.90</u>	<u>9.19</u>	<u>2.92</u>	<u>14.63</u>		
Diluted earnings per share (in dollars)	<u>\$ 1.86</u>	<u>9.02</u>	<u>2.91</u>	<u>14.63</u>		

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHILINA HOLDING LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands dollars)

	Common stock		Capital surplus		Legal reserve		Equity attributable to shareholders of the parent				Financial statement translation differences for foreign operations				Treasury stock		Total equity	
	CNY	TWD	CNY	TWD	CNY	TWD	Retained earnings		CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
							Unappropriated earnings	Total										
Balance at January 1, 2015	\$ 161,772	794,924	286,950	1,419,463	21,217	102,821	174,019	884,868	195,236	987,689	9,927	127,507	-	-	-	-	653,885	3,329,583
Appropriations and distributions:																		
Legal reserve	-	-	-	-	15,691	75,584	(15,691)	(75,584)	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(115,517)	(556,446)	(115,517)	(556,446)	-	-	-	-	-	-	(115,517)	(556,446)
Convertible bonds issued	-	-	7,258	37,021	-	-	-	-	-	-	-	-	-	-	-	-	7,258	37,021
Net income	-	-	-	-	-	-	231,878	1,167,087	231,878	1,167,087	-	-	-	-	-	-	231,878	1,167,087
Other comprehensive income (loss)	-	-	-	-	-	-	(49)	(245)	(49)	(245)	12,680	(30,271)	-	-	-	-	12,631	(30,516)
Total comprehensive income (loss)	-	-	-	-	-	-	231,829	1,166,842	231,829	1,166,842	12,680	(30,271)	-	-	-	-	244,509	1,136,571
Balance at December 31, 2015	161,772	794,924	294,208	1,456,484	36,908	178,405	274,640	1,419,680	311,548	1,598,085	22,607	97,236	-	-	-	-	790,135	3,946,729
Appropriations and distributions:																		
Legal reserve	-	-	-	-	24,064	116,709	(24,064)	(116,709)	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(163,902)	(794,924)	(163,902)	(794,924)	-	-	-	-	-	-	(163,902)	(794,924)
Net income	-	-	-	-	-	-	150,912	730,790	150,912	730,790	-	-	-	-	-	-	150,912	730,790
Other comprehensive income (loss)	-	-	-	-	-	-	(108)	(524)	(108)	(524)	3,346	(279,042)	-	-	-	-	3,238	(279,566)
Total comprehensive income (loss)	-	-	-	-	-	-	150,804	730,266	150,804	730,266	3,346	(279,042)	-	-	-	-	154,150	(451,224)
Treasury stock acquired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,358)	(43,207)
Balance at December 31, 2016	\$ 161,772	794,924	294,208	1,456,484	60,972	295,114	257,478	1,238,513	298,450	1,533,427	25,953	(181,806)	(9,358)	(43,207)	(43,207)	-	771,025	3,559,822

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHLITINA HOLDING LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands dollars)

	periods ended December 31			
	2016		2015	
	CNY	TWD	CNY	TWD
Cash flows from operating activities:				
Consolidated net income before tax	\$ 211,682	1,025,066	286,428	1,441,649
Adjustments:				
Adjustments to reconcile profit and loss				
Depreciation	18,019	87,257	19,571	98,505
Amortization	3,332	16,134	2,609	13,133
Net gains on financial assets at fair value through profit or loss	(980)	(4,745)	(4,860)	(24,463)
Interest expenses	3,561	17,244	282	1,421
Interest income	(6,390)	(30,943)	(7,134)	(35,906)
Share of loss of associates accounted for under equity method	1,792	8,678	791	3,981
Losses on disposal of property, plant and equipment	190	920	24	121
Property, plant and equipment transferred to expenses	41	189	327	1,633
Intangible assets transferred to expenses	-	-	2,159	10,784
Total adjustments to reconcile profit and loss	19,565	94,734	13,769	69,209
Changes in assets / liabilities relating to operating activities:				
Net changes in operating assets:				
Accounts receivable	(292)	(1,348)	(201)	(1,002)
Accounts receivable—related parties	131,230	605,889	(127,737)	(638,046)
Other receivable	2,005	9,257	(2,690)	(13,437)
Other accounts receivable—related parties	362	1,671	5,435	27,148
Inventories	(12,466)	(57,556)	(40,422)	(201,908)
Prepayments	(3,484)	(16,086)	(8,295)	(41,434)
Other current assets	(2,950)	(13,620)	568	2,837
Total changes in operating assets, net	114,405	528,207	(173,342)	(865,842)
Net changes in operating liabilities:				
Accounts payable	(12,453)	(57,496)	22,488	112,328
Accounts payable—related parties	(43)	(199)	2,873	14,351
Other payables	(102)	(471)	1,641	20,584
Other payables—related parties	(650)	(3,001)	(1,107)	(5,529)
Advance receipts	1,114	5,143	(162)	(13,746)
Other current liabilities	21,230	98,019	7,969	40,355
Net defined benefit liabilities	(949)	(4,382)	32	160
Guarantee deposits	(4,445)	(20,523)	2,417	12,073
Total changes in operating liabilities, net	3,702	17,090	36,151	180,576
Total changes in operating assets / liabilities, net	118,107	545,297	(137,191)	(685,266)
Total adjustments	137,672	640,031	(123,422)	(616,057)
Cash provided by operating activities	349,354	1,665,097	163,006	825,592
Income tax paid	(41,398)	(191,135)	(55,222)	(275,834)
Net cash provided by operating activities	307,956	1,473,962	107,784	549,758
Cash flows from investing activities:				
Acquisition of financial assets at fair value through profit or loss	(3,085,727)	(14,246,801)	(2,064,823)	(10,313,791)
Proceeds from disposal of financial assets at fair value through profit or loss	3,090,240	14,267,638	2,069,181	10,335,559
Acquisition of investments accounted for under equity method	(24,500)	(122,084)	(93)	(465)
Acquisition of property, plant and equipment	(13,834)	(63,871)	(7,337)	(36,648)
Proceeds from disposal of property, plant and equipment	143	692	-	-
Acquisition of intangible assets	(3,654)	(18,170)	(191)	(954)
Decrease (Increase) in other financial assets	(386)	(1,782)	19,846	99,131
Decrease (increase) in other non-current assets	(30,206)	(139,461)	456	2,278
Interest received	6,471	31,336	7,175	36,113
Net cash provided by (used in) investing activities	(61,453)	(292,503)	24,214	121,223
Cash flows from financing activities:				
Convertible bonds issued	-	-	174,461	889,928
Cash dividends paid	(163,902)	(794,924)	(115,517)	(556,446)
Purchase of treasury stock	(9,358)	(43,207)	-	-
Net cash provided by (used in) financing activities	(173,260)	(838,131)	58,944	333,482
Effects of changes in exchange rates	15,220	(191,922)	15,684	(18,280)
Increase in cash and cash equivalents	88,463	151,406	206,626	986,183
Cash and cash equivalents at beginning of period	679,967	3,396,435	473,341	2,410,252
Cash and cash equivalents at end of period	\$ 768,430	3,547,841	679,967	3,396,435

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2016 and 2015

(expressed in unless otherwise stated)

(1) Company history

the Group (the Company) was incorporated in Cayman Islands on July 3, 2012, as a corporation limited by shares in accordance with the Companies Act, Cap 22 of the Cayman Islands. In order to publish the stock in Taiwan Stock Exchange, the subsidiaries were reorganized by changing the stocks. This is a holding company with no corporate income tax that should be imposed according to the local law and has limited liability. The Company and its subsidiaries (the Group) are mainly engaged in the manufacture and sale of cosmetics, instead of professional investment. On November 27, 2013, the Company was approved and listed on Taiwan Stock Exchange (TWSE).

(2) Financial statements authorization date and authorization process

The consolidated financial statements were approved by the Board of Directors and published on March 14, 2017.

(3) New and amendments to standards and interpretations not yet adopted

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 " Insurance Contracts"(“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”)	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of Significant Accounting Policies

The consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these financial statements. In order to follow the requirements of an entity being primarily listed on Taiwan Stock Exchange (TWSE), these consolidated financial statements have been arranged and prepared according to the comparison table of account codes for general industries announced by the Taiwan security authorities, that has no influence on these financial statements, which were prepared for the purpose of transitioning to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations (hereinafter referred to as the IFRSs) applied to these consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the IFRSs.

(b) Basis of preparation

i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, unless, otherwise stated (refer to summary of significant accounting policies).

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in Chinese Yuan (CNY). The assets and liabilities of foreign operations are translated to the Group's presented currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's presented currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars (TWD) has been rounded to the nearest thousand. Translated into TWD are the following exchange rates after the consolidation: Assets and liabilities - spot rates at reporting date; income and expenses - average rates during the period; shareholders' equity - historical rates. The resulting translation adjustments are recorded as cumulative translation adjustments under shareholders' equity. As of December 31, 2016 and 2015, the spot rates of CNY to TWD were CNY1=TWD4.6170 and CNY1=TWD4.9950, respectively; for the years December 31, 2016 and 2015, the average rate of CNY to TWD were CNY1=TWD4.8425 and CNY1=TWD5.0332, respectively.

(c) Basis of consolidation

i) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Primary business	The creating location/date	Percentage of ownership of the Company		Issuing and paid-in /authorized capital
				Direct	Indirect	
The Company	Chlitina Group Limited (Chlitina Group)	Investing	British Virgin IS. November 8, 2011	100%		USD36,567,073/ USD36,567,073
Chlitina Group	Chlitina International Limited (Chlitina International)	Investing	British Virgin IS. June 25, 2007	-	100%	USD17,000,001/ USD17,000,001
Chlitina International	Chlitina Marketing Limited(Chlitina Marketing)	Investing	British Virgin IS. November 8, 2012	-	100%	USD11,622,882/ USD11,622,882
Chlitina International	Hong Kong Chlitina International Limited (Hong Kong Chlitina)	Investing and trading of skincare products	Hong Kong December 15, 2009	-	100%	HKD62,150,001/ HKD62,150,001
Chlitina Group	Chlitina Intelligence Limited (Chlitina Intelligence)	Investing	British Virgin IS. April 3, 2012	-	100%	USD1/ USD1
Chlitina International	Centre de Recherche et de Developpement de CHLITINA FRANCE EURL (Chlitina France EURL)	Research and development center	France June 9, 2008	-	100%	EUR5,000/ EUR5,000

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Primary business	The creating location/date	Percentage of ownership of the Company		Issuing and paid-in /authorized capital
				Direct	Indirect	
Hong Kong Chlitina	Chlitina (China) Trade Limited (Chlitina China) (Formerly called as Chlitina (Shanghai) Trade Limited)	Dealer of skincare products	China November 14, 2006	-	100%	USD8,570,000/ USD8,570,000
Hong Kong Chlitina	Weishuo (Shanghai) Daily Product Limited (Weishuo)	Production and trading of skincare products	China February 28, 2007	-	100%	USD2,150,000/ USD2,150,000
Chlitina Marketing	British Virgin IS. Chlitina Marketing Limited Taiwan Branch (Chlitina Marketing Taiwan Branch)	Trading of skincare products and research and development center	Republic of China December 27, 2012	-	100%	Working Capital TWD348,084 thousand
Chlitina Intelligence	British Virgin IS. Chlitina Intelligence Limited Taiwan Branch (Chlitina Intelligence Taiwan Branch)	Holder of intelligence	Republic of China February 23, 2016	-	100%	Working Capital TWD12,000 thousand
Chlitina Group	W-Amber International Limited (W-Amber International)	Investing	British Virgin IS. May 7, 2014	-	100%	USD12,000,000/ USD12,000,000
W-Amber International	W-Amber Marketing Limited (W-Amber Marketing)	Investing	British Virgin IS. May 7, 2014	-	100%	USD12,000,000/ USD12,000,000
W-Amber Marketing	Hong Kong W-Amber International Limited (Hong Kong W-Amber International) (Formerly called as Hong Kong Crystal Asia International Limited)	Investing	Hong Kong July 11, 2014	-	100%	HKD92,800,000/ HKD92,800,000
Hong Kong W-Amber International	Weihu (Shanghai) Trade Limited (Weihu)	Investing, dealer of skincare products and supplementary health care products	China November 6, 2014	-	100%	USD8,000,000/ USD8,000,000
Hong Kong W-Amber International	Crystal Asia Shanghai Limited (Crystal Asia Shanghai)	Dealer of skincare products	China August 14, 2015	-	100%	USD200,000/ USD200,000
Chlitina Group	W-Champion International Limited (W-Champion International)	Investing	British Virgin IS. March 11, 2016	-	100%	USD3,000,000/ USD3,000,000
W-Champion International	W-Champion Marketing Limited (W-Champion Marketing)	Investing	British Virgin IS. March 11, 2016	-	100%	USD3,000,000/ USD3,000,000
W-Champion Marketing	Hong Kong W-Champion International Limited (Hong Kong W-Champion International)	Investing	British Virgin IS. April 8, 2016	-	100%	USD2,950,000/ USD2,950,000
Hong Kong W-Champion International	Wuguan (Shanghai) Trade Limited (Wuguan) (Note)	Dealer of skincare products and supplementary health care products	China November 14, 2014	-	100%	USD2,000,000/ USD2,000,000

Note: Hong Kong W-Amber International was reorganized in August 2016, in which it transferred all its shares in Wuguan (its 100% owned company) to Hong Kong W-Champion International.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****(d) Foreign currency transaction**

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on remeasurement are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the remeasurement:

- i) available-for-sale equity investment;
- ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- iii) qualifying cash flow hedges to the extent the hedge is effective.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

- i) An entity shall classify an asset as current when:
 - i. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
 - ii. It holds the asset primarily for the purpose of trading;
 - iii. It expects to realize the asset within twelve months after the reporting period; or
 - iv. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

- ii) An entity shall classify a liability as current when:
- i. It expects to settle the liability in its normal operating cycle;
 - ii. It holds the liability primarily for the purpose of trading;
 - iii. The liability is due to be settled within twelve months after the reporting period even if a refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or
 - iv. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by using equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprised cash balances, time deposits, and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of three months or less from the acquisition date that are listed in cash and cash equivalents which are held for the purpose of meeting short-term cash commitments instead of investment or other purposes are readily convertible to a fixed amount of cash, and are subject to an insignificant risk of changes in value.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using the trade-date accounting.

i) Financial assets

The Group classifies financial assets into the following categories:

i. Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expense.

ii. Available-for sale financial assets

Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expense.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements**

Dividend income is recognized in profit or loss on the date when the Group's right to receive payment is established. However, in the case of quoted securities, the ex-dividend date is normally recognized. Such dividend income is included in non-operating income and expense.

iii. Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables, other receivables, and other current financial assets. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using the trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expense.

iv. Impairment of financial assets

Financial assets, other than those carried at FVTPL, are impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets ('loss events') and that loss events (or events) have an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred the adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss under non-operating income and expense.

v. Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

ii) Financial liabilities

i. Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognised as the amount of consideration received less the direct cost of issuing.

Compound financial instruments issued by the Group comprise that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss, and it is included in statement of comprehensive income account.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognised.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements**

ii. Financial liabilities designated as at fair value through profit or loss on initial recognition

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

A financial liability is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term.

Financial liabilities are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognised in profit or loss, and are included in statement of comprehensive income account.

iii. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, accounts payable (including related parties), other payables and guarantee deposits, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expense.

iv. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation expires or has been discharged or cancelled.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expense.

v. Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Operating lease

When the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except when an alternative basis is more of a representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****(i) Inventories**

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity, and an allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If the actual capacity is higher than the normal capacity, fixed production overhead should be allocated based on the actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to the current year's cost of goods sold. If the net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

The equity of associates are incorporated in these consolidated financial statements using the equity method. Investments in associates are accounted for under equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of the associate in 'capital surplus' in proportion to its ownership interests.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(k) Property, plant and equipment**i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements**

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight line method over its useful life. Assets are evaluated based on their individually significant components, and if the useful life of a component varies from that of others, then this component should be separately depreciated. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	20 years
Machinery equipment	10 years
Transportation equipment	2~10 years
Furniture and fixtures and other equipment	2~5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(1) Intangible asset

Computer software and other are measured at cost, less, accumulated amortization. And subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The depreciable amount is the cost of an asset or other amount substituted for cost, less, its residual values. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of computer software is 5 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****(m) Impairment—non-financial assets**

With regard to non financial assets (other than inventories and deferred income tax assets), the Group assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value, less, costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash generating unit cannot exceed the carrying amount of the individual asset or cash generating unit, less, any depreciation or amortization, had it not recognized an impairment loss.

(n) Treasury stock

Repurchased shares are recognized under treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under "capital surplus—treasury stock transactions". Losses on disposal of treasury stock should be offset against existing capital surplus arising from similar types of treasury stock. If there are insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury stock, "capital surplus—stock premiums" and "stock capital" should be debited proportionately. Gains on cancellation of treasury stock should be recognized under existing capital surplus arising from similar types of treasury stock; losses on cancellation of treasury stock should be offset against existing capital surplus arising from similar types of treasury stock. If there are insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable. Provided it is probable that the economic benefits will flow to the Group, the revenue and costs, if applicable, can be measured reliably. Revenue is recognized in profit or loss as follows:

i) Sale of goods

Revenue is recognized when the goods are delivered at customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other taxes, and is after the deduction of any trade discounts.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements**

- ii) Franchise income and training service income

One-off franchise income is recognized upon the newly-joined stores' signing of the franchise contract to join the salon channel. Service revenue from direct-operational salon is recognized upon the accomplishment of the services. Revenue received prior to the rendition of the services is recognized as unearned revenue.
 - iii) Service income

Processing service income is recognized upon the rendition of the service.
 - iv) Government grants

Grants that compensate the group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.
 - v) Interest income

Interest income is recognized as it accrues using the effective interest method.
- (p) Defined benefit plans
- i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.
 - ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when related services are provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Income taxes

Income tax expenses include both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using the tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the below exceptions:

- i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- iii) Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:
 - i. levied by the same income taxing authority; or
 - ii. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

A deferred income tax assets should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred income tax assets shall also be re-evaluated at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Earnings per share (EPS) of the common stock are calculated by dividing net income (or loss) for the reporting period attributable to the common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

Employee bonuses in the form of stock of the Company are potential stock. If the potential stock does not have any dilutive effect, only the basic earnings per share are disclosed; otherwise, diluted earnings per share are disclosed in addition to the basic earnings per share. When computing diluted earnings per share with regard to employee bonuses in the form of stock, the closing price at the reporting date is used as the basis of computation of the number of shares to be issued. When computing diluted earnings per share prior to the following year's shareholders' meeting, the effect of dilution from these potential shares is taken into consideration.

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares at the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing to employees to be settled in the form of common stocks are approved by the shareholders in the following year.

(s) Borrowing Costs

Borrowing costs that are directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalized as part of those assets. Interest income earned on restricted bank accounts funded with specific borrowings to construct qualifying assets is deducted from the borrowing costs eligible for capitalization.

Capitalization of borrowing costs ceases when the qualifying asset is substantially ready for use.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Significant accounting judgments, estimations, assumptions, and sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Revenue recognition

The Group records a provision for estimated future returns and other allowances as deduction of revenue upon the recognition of the related revenue. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical trend, market and economic conditions, and any other known factors that would significantly affect the allowance.

(6) Explanation of significant accounts

(a) Cash and Cash equivalents

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Cash on hand	\$ 345	1,593	334	1,668
Savings deposits	348,810	1,610,456	354,990	1,773,175
Time deposits	85,023	392,551	24,959	124,670
Cash equivalents	<u>334,252</u>	<u>1,543,241</u>	<u>299,684</u>	<u>1,496,922</u>
Cash and cash equivalents per consolidated statements of cash flows	<u>\$ 768,430</u>	<u>3,547,841</u>	<u>679,967</u>	<u>3,396,435</u>

As of December 31, 2016 and 2015, cash equivalents refer to fixed rate financial instruments registered by Shanghai Stock Exchange with maturities of 7, 14 and 28 days, respectively.

Time deposits with maturity days beyond 3 months are recorded under "Other current financial assets". Please refer to note 6(e) for further information.

Please refer to note 6(r) for the disclosure of sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Financial assets at fair value through profit or loss—current

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Fund	\$ <u>-</u>	<u>-</u>	<u>2</u>	<u>9</u>

The Group's financial assets at fair value through profit or loss as of December 31, 2015 were monetary fund of CNY2 thousand (TWD9 thousand) from China Universal Asset Management (Hong Kong) Company Limited, respectively. There are no maturity date in the aforementioned investment, and the market value of the fund are published on a regular basis.

(c) Receivable

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Accounts receivable	\$ 512	2,364	220	1,099
Accounts receivable—related parties	1,901	8,777	133,131	664,989
Other receivables	2,313	10,679	4,399	21,973
Other receivables—related parties	<u>584</u>	<u>2,696</u>	<u>946</u>	<u>4,725</u>
	\$ <u>5,310</u>	<u>24,516</u>	<u>138,696</u>	<u>692,786</u>

The accounts receivable and other receivables of the Group, net, were not pledged as collateral.

The carrying amounts of notes and accounts receivable of the Group with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

The Group has no aging analysis of overdue accounts receivable and other receivables.

(d) Inventories

The components of the Group's inventories were as follows:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Finished goods	\$ 54,849	253,238	56,886	284,146
Work in progress	4,593	21,206	5,593	27,937
Raw materials and supplies	<u>40,467</u>	<u>186,836</u>	<u>24,964</u>	<u>124,695</u>
	\$ <u>99,909</u>	<u>461,280</u>	<u>87,443</u>	<u>436,778</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2016 and 2015, the inventories of the Group were not pledged as collateral.

Operating costs were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Inventory costs	\$ 136,417	660,599	206,629	1,040,040
Loss on market value of inventory	347	1,681	2,192	11,033
Loss on scrapping of inventory	-	-	932	4,655
Total	<u>\$ 136,764</u>	<u>662,280</u>	<u>209,753</u>	<u>1,055,728</u>

(e) Other financial assets – current

The components of other financial assets-current at reporting date were time deposits with a maturity of three months and above.

Please refer to note 6(r) for the disclosure of sensitivity analysis and interest rate risk of the financial assets of the Group.

(f) Investments accounted for using equity method

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Associate	<u>\$ 38,562</u>	<u>178,041</u>	<u>15,854</u>	<u>79,191</u>

i) Associate

The associate accounted for using the equity method in the consolidated financial statements was not individually significant. The summarized financial information of the associate was as follows, and the amounts were included in financial information of the associate in the consolidated interim financial statements:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Carrying amounts of the equity of associate which not individually significant	<u>\$ 38,562</u>	<u>178,041</u>	<u>15,854</u>	<u>79,191</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2016		2015	
	CNY	TWD	CNY	TWD
Aggregate amounts of the Group's share of the associate:				
Net loss from continuing operations	\$ (1,792)	(8,678)	(791)	(3,981)
Other comprehensive loss	-	-	-	-
Total comprehensive income	<u>\$ (1,792)</u>	<u>(8,678)</u>	<u>(791)</u>	<u>(3,981)</u>

ii) Collateral

As of December 31, 2016 and 2015, the investment accounted for using equity method of the Group was not pledged as collateral.

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Unit: CNY thousand						
	Land	Buildings	Machinery	Transportation	Furniture and fixtures and other equipment	Construction in progress	Total
Cost or deemed cost:							
Balance at January 1, 2016	\$ 21,161	183,714	13,134	5,048	51,900	3,000	277,957
Additions	-	13	-	192	4,981	8,648	13,834
Disposals	-	-	-	(425)	(1,470)	-	(1,895)
Reclassification	-	-	-	-	8,540	(8,581)	(41)
Effect of movements in exchange rates	1,732	-	-	-	769	87	2,588
Balance at December 31, 2016	<u>\$ 22,893</u>	<u>183,727</u>	<u>13,134</u>	<u>4,815</u>	<u>64,720</u>	<u>3,154</u>	<u>292,443</u>
Balance at January 1, 2015	\$ 20,757	183,243	10,750	5,048	46,527	4,176	270,501
Additions	-	471	956	-	2,106	3,804	7,337
Disposals	-	-	-	-	(117)	-	(117)
Reclassification	-	-	1,428	-	3,252	(5,007)	(327)
Effect of movements in exchange rates	404	-	-	-	132	27	563
Balance at December 31, 2015	<u>\$ 21,161</u>	<u>183,714</u>	<u>13,134</u>	<u>5,048</u>	<u>51,900</u>	<u>3,000</u>	<u>277,957</u>
Depreciation and impairment loss:							
Balance at January 1, 2016	\$ -	25,471	3,468	2,615	32,882	-	64,436
Depreciation	-	8,331	1,028	794	7,866	-	18,019
Disposal	-	-	-	(281)	(1,281)	-	(1,562)
Effect of changes in exchange rates	-	-	-	-	307	-	307
Balance at December 31, 2016	<u>\$ -</u>	<u>33,802</u>	<u>4,496</u>	<u>3,128</u>	<u>39,774</u>	<u>-</u>	<u>81,200</u>
Balance at January 1, 2015	\$ -	17,197	2,408	1,778	23,540	-	44,923
Depreciation	-	8,274	1,060	837	9,400	-	19,571
Disposal	-	-	-	-	(93)	-	(93)
Effect of movements in exchange rates	-	-	-	-	35	-	35
Balance at December 31, 2015	<u>\$ -</u>	<u>25,471</u>	<u>3,468</u>	<u>2,615</u>	<u>32,882</u>	<u>-</u>	<u>64,436</u>
Carrying value:							
Balance at December 31, 2016	<u>\$ 22,893</u>	<u>149,925</u>	<u>8,638</u>	<u>1,687</u>	<u>24,946</u>	<u>3,154</u>	<u>211,243</u>
Balance at December 31, 2015	<u>\$ 21,161</u>	<u>158,243</u>	<u>9,666</u>	<u>2,433</u>	<u>19,018</u>	<u>3,000</u>	<u>213,521</u>
Balance at January 1, 2015	<u>\$ 20,757</u>	<u>166,046</u>	<u>8,342</u>	<u>3,270</u>	<u>22,987</u>	<u>4,176</u>	<u>225,578</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Unit: TWD thousand

	Land	Buildings	Machinery	Transportation	Furniture and fixtures and other equipment	Construction in progress	Total
Cost or deemed cost:							
Balance at January 1, 2016	\$ 105,699	917,651	65,604	25,215	259,242	14,985	1,388,396
Additions	-	60	-	886	22,997	39,928	63,871
Disposals	-	-	-	(2,058)	(7,118)	-	(9,176)
Reclassification	-	-	-	-	39,429	(39,618)	(189)
Effect of movements in exchange rates	(3)	(69,443)	(4,964)	(1,812)	(15,737)	(733)	(92,692)
Balance at December 31, 2016	\$ 105,696	848,268	60,640	22,231	298,813	14,562	1,350,210
Balance at January 1, 2015	\$ 105,695	933,074	54,739	25,704	236,915	21,265	1,377,392
Additions	-	2,353	4,775	-	10,519	19,001	36,648
Disposals	-	-	-	-	(589)	-	(589)
Reclassification	-	-	7,133	-	16,244	(25,010)	(1,633)
Effect of movements in exchange rates	4	(17,776)	(1,043)	(489)	(3,847)	(271)	(23,422)
Balance at December 31, 2015	\$ 105,699	917,651	65,604	25,215	259,242	14,985	1,388,396
Depreciation and impairment loss:							
Balance at January 1, 2016	\$ -	127,228	17,323	13,062	164,246	-	321,859
Depreciation	-	40,343	4,978	3,845	38,091	-	87,257
Disposal	-	-	-	(1,361)	(6,203)	-	(7,564)
Effect of movements in exchange rates	-	(11,507)	(1,543)	(1,104)	(12,497)	-	(26,651)
Balance at December 31, 2016	\$ -	156,064	20,758	14,442	183,637	-	374,901
Balance at January 1, 2015	\$ -	87,567	12,262	9,059	119,861	-	228,749
Depreciation	-	41,645	5,335	4,213	47,312	-	98,505
Depreciation	-	-	-	-	(468)	-	(468)
Effect of movements in exchange rates	-	(1,984)	(274)	(210)	(2,459)	-	(4,927)
Balance at December 31, 2015	\$ -	127,228	17,323	13,062	164,246	-	321,859
Carrying value:							
Balance at December 31, 2016	\$ 105,696	692,204	39,882	7,789	115,176	14,562	975,309
Balance at December 31, 2015	\$ 105,699	790,423	48,281	12,153	94,996	14,985	1,066,537
Balance at January 1, 2015	\$ 105,695	845,507	42,477	16,645	117,054	21,265	1,148,643

(h) Intangible assets

The cost, amortization and impairment loss of intangible assets of the Group were as follows:

	Computer software		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD
Cost:						
Balance at January 1, 2016	\$ 10,097	50,435	167	834	10,264	51,269
Additions	-	-	3,654	18,170	3,654	18,170
Effect of movements in exchange rates	-	(3,816)	291	(16)	291	(3,832)
Balance at December 31, 2016	\$ 10,097	46,619	4,112	18,988	14,209	65,607
Balance at January 1, 2015	\$ 21,487	109,340	-	-	21,487	109,340
Additions	191	954	-	-	191	954
Disposals	(8,646)	(43,610)	-	-	(8,646)	(43,610)
Reclassification	(2,974)	(14,855)	158	789	(2,816)	(14,066)
Effect of movements in exchange rates	39	(1,394)	9	45	48	(1,349)
Balance at December 31, 2015	\$ 10,097	50,435	167	834	10,264	51,269

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Computer software		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD
Amortization and impairment loss:						
Balance at January 1, 2016	\$ 2,361	11,794	18	90	2,379	11,884
Amortization	2,455	11,888	877	4,246	3,332	16,134
Effect of changes in exchange rates	-	(1,448)	43	-	43	(1,448)
Balance at December 31, 2016	<u>\$ 4,816</u>	<u>22,234</u>	<u>938</u>	<u>4,336</u>	<u>5,754</u>	<u>26,570</u>
Balance at January 1, 2015	\$ 426	2,096	-	-	426	2,096
Amortization	2,593	13,051	16	82	2,609	13,133
Reclassification	(658)	(3,287)	1	5	(657)	(3,282)
Effect of changes in exchange rates	-	(66)	1	3	1	(63)
Balance at December 31, 2015	<u>\$ 2,361</u>	<u>11,794</u>	<u>18</u>	<u>90</u>	<u>2,379</u>	<u>11,884</u>
Carrying value:						
Balance at December 31, 2016	<u>\$ 5,281</u>	<u>24,385</u>	<u>3,174</u>	<u>14,652</u>	<u>8,455</u>	<u>39,037</u>
Balance at December 31, 2015	<u>\$ 7,736</u>	<u>38,641</u>	<u>149</u>	<u>744</u>	<u>7,885</u>	<u>39,385</u>
Balance at January 1, 2015	<u>\$ 21,061</u>	<u>107,244</u>	<u>-</u>	<u>-</u>	<u>21,061</u>	<u>107,244</u>

(i) Bonds payable

The Company issued unsecured convertible bonds as follows:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Total amount of convertible Bonds	\$ 180,180	900,000	180,180	900,000
Discount on bonds payable unamortized balance	(7,372)	(34,035)	(10,266)	(51,279)
Effect of changes in exchange rates	<u>14,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bonds payable of ending balance	<u>\$ 187,560</u>	<u>865,965</u>	<u>169,914</u>	<u>848,721</u>
Embedded Derivatives—put option and call option (financial liability at fair value through profit or loss)	<u>\$ 4,366</u>	<u>20,160</u>	<u>613</u>	<u>3,060</u>
Equity component—conversion options (Capital surpluses—Share options)	<u>\$ 7,258</u>	<u>37,021</u>	<u>7,258</u>	<u>37,021</u>
	2016		2015	
	CNY	TWD	CNY	TWD
Embedded Derivatives—put option and call option measured at fair value through profit or loss (reported in other gains and losses)	<u>\$ (3,531)</u>	<u>(17,100)</u>	<u>506</u>	<u>2,547</u>
Interest expenses (financial costs)	<u>\$ 3,561</u>	<u>17,244</u>	<u>282</u>	<u>1,421</u>

As the Company issued unsecured convertible bonds, the conversion option and the liabilities are separated and recognize as equity and liability, respectively.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company issued unsecured convertible bonds as follows:

	CNY	TWD
Compound value convertible bonds	\$ 167,985	856,890
Embedded Derivatives financial liabilities (put option and call option)	1,112	5,670
Equity component—conversion options (Capital surplus—Share options)	7,340	37,440
Effect of movements in exchange rates	<u>3,743</u>	<u>-</u>
Ending balance of bonds payable	<u>\$ 180,180</u>	<u>900,000</u>

The offering price of the Company's bonds payable was CNY1,975 thousand (TWD10,072 thousand).

i) Denomination and coupon rate

On November 13, 2015, the Company issued 9,000 shares of unsecured convertible bonds with 0% coupon rate and three years maturity amounted to TWD900,000 thousand.

ii) Conversion provision

i. Bondholders are eligible to exercise the conversion right between one month after the bond issuance and before the expiration date.

ii. Conversion price: The conversion price at the issuance date was TWD288 per share. If there is any increase in the Company's common stock (such as cash injection, capital increase from related earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split or cash injection by participating in the issuance of overseas depository receipts, etc), the Company shall calculate and adjust the conversion price based on the formula stated in the first conversion arrangement before publishing an announcement through GTSM. On August 10, 2016, the conversion price amounted to \$271.7 per share after the dividends and rights distribution have been adjusted.

iii) Redemption method

The Company's call option (right of redemption):

i. If, between one month after the bond issuance and 40 days before the expiration date, the closing price of the stocks is higher than 1.3 times the conversion price for 30 consecutive working days, the Company is entitled to send a "bond redemption notification" to the bondholders and post an announcement to notify GTSM that the Company is to repurchase all bonds at their face value by cash after the benchmark date of bond redemption. The benchmark date of the bond redemption is the 30 days after the notification has been sent.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii. If, between one month after bond issuance and 40 days before the expiration date, the outstanding balance of the bonds is lower than 10% of the total issued amount, the Company is entitled to send a "bond redemption notification" to the bondholders and post an announcement to notify GTSM that the Company is to repurchase all bonds at their face value by cash after the benchmark date of bond redemption. The benchmark date of the bond redemption is the 30 days after the notification has been sent. With notification in advance, the company is entitled to repurchase all outstanding bonds at their face value.

iv) Bondholders' put option

Bondholders are entitled to exercise the put option beginning from the put day, which is two years after the date of issuance. The Company should send "bond put table notification", via registered mail, to bondholders and publish an announcement through GTSM 40 days before the benchmark date of the bond redemption, and the bondholders then can exercise their put options through written notice and submit them to the Company for redemption of the bonds at face value within 30 days.

v) Since the bondholders are entitled to request the Company to redeem the bonds at the agreed price two years after the bond issuance, the Company, based on the principle of conservatism, booked its convertible bonds amounting to CNY187,560 thousand (TWD865,965 thousand) as current liability. However, it does not imply that such current liability shall be fully redeemed within a year.

(j) Other current liabilities

The components of other current liabilities of the Group were as follows:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Accrued expense	\$ 52,027	240,208	51,072	255,104
Tax payable	29,791	137,544	9,647	48,187
Deferred income	<u>3,734</u>	<u>17,238</u>	<u>3,603</u>	<u>17,997</u>
	<u>\$ 85,552</u>	<u>394,990</u>	<u>64,322</u>	<u>321,288</u>

(k) Employee benefits

i) The fair value of plan assets

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
The present value of the defined benefit obligations	\$ 932	4,303	1,677	8,375
Fair value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The net defined benefit liability	<u>\$ 932</u>	<u>4,303</u>	<u>1,677</u>	<u>8,375</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

The plans (covered by the Labour Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

i. Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Defined benefit obligation at 1 January	\$ 1,677	8,375	1,565	7,969
Current service costs and interest	31	148	32	161
Remeasurements of the net defined benefit liability (asset)				
— Return on plan assets (excluding amounts included in net interest expense)	77	374	16	78
— Due to changes in financial assumption of actuarial (losses) gains	31	150	33	167
Past service credit	(980)	(4,744)	-	-
Effect of movement in exchange rates	96	-	31	-
Defined benefit obligation at 31 December	<u>\$ 932</u>	<u>4,303</u>	<u>1,677</u>	<u>8,375</u>

ii. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2016 and 2015, were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Net interest on the defined benefit liability	\$ 31	148	32	161
Past service credit	(158)	(763)	-	-
	<u>\$ (127)</u>	<u>(615)</u>	<u>32</u>	<u>161</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2016		2015	
	CNY	TWD	CNY	TWD
General and administrative expenses	\$ 1	4	32	161
Other income	<u>(128)</u>	<u>(619)</u>	<u>-</u>	<u>-</u>
	<u>\$ (127)</u>	<u>(615)</u>	<u>32</u>	<u>161</u>

- iii. Remeasurement in the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement in the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Cumulative amount at January 1	\$ (360)	(1,710)	(311)	(1,465)
Recognized during the period	<u>(108)</u>	<u>(524)</u>	<u>(49)</u>	<u>(245)</u>
Cumulative amount at December 31	<u>\$ (468)</u>	<u>(2,234)</u>	<u>(360)</u>	<u>(1,710)</u>

- iv. Actuarial assumptions

The rate use to actuarial the present value of defined benefit obligation was as follows:

	2016.12.31	2015.12.31
Discount rate	1.375 %	1.875 %
Future salary increases rete	3.000 %	3.000 %

The weighted average duration of the defined benefit obligation is 21.38 years.

- v. Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2016, the present value of defined benefit obligation impact was as follows:

	The impact of defined benefit obligation			
	Increase 0.25%		Decrease 0.25%	
	CNY	TWD	CNY	TWD
December 31, 2016				
Discount rate	\$ (37)	(173)	39	181
Future salary increase rate	38	176	(37)	(169)
December 31, 2015				
Discount rate	(66)	(329)	69	344
Future salary increase rate	67	335	(64)	(322)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015.

ii) Defined contribution plans

- i. In accordance with the China labor regulation, the Group and its China subsidiaries established the defined benefit retirement plans as follows:

Administration	Beneficiary	Pension appropriation rate
Shanghai municipality	Employees of Chlitina (China) Trade Limited and its Shanghai branch, and Weishuo (Shanghai) Daily Product Limited (Weishuo)	22%
Other municipality of China	Employees of Chlitina China and other branches	19%~20%

Employees registered in the aforementioned plan are entitled to a certain percentage of their final salary and benefit pension.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

- ii. In accordance with the Hong Kong Chlitina pension regulation, the subsidiary in 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 the Hong Kong employee Act. As Per the regulation of the program, the employers and the employees themselves are required to appropriate 5% of the relevant income to the program, and maximum relevant income per month was raised from HKD25,000 to HKD30,000 since June 2014.
- iii. In accordance with the local labor pension Act, the subsidiary Chlitina Marketing Limited Taiwan Branch appropriates 6% of the salary of its employees to their pension accounts, and recognized the appropriated amount as expenses for the same period.

The Group established the defined benefit retirement plans in accordance with each local regulation. Besides appropriating a fixed amount of money regularly, the Group does not bear any other obligation.

Under the defined benefit retirement plans, the Group booked the pension costs of CNY9,706 thousand (TWD47,002 thousand) and CNY9,734 thousand (TWD48,994 thousand) in 2016 and 2015, respectively.

(l) Income tax

i) Income tax expenses

The amount of the Group's income tax for the years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Current income tax expense				
Current period	\$ 50,536	244,719	53,360	268,571
Adjustment for prior periods	<u>99</u>	<u>479</u>	<u>(151)</u>	<u>(759)</u>
	<u>50,635</u>	<u>245,198</u>	<u>53,209</u>	<u>267,812</u>
Deferred income tax benefit				
Origination and reversal of temporary differences	10,135	49,078	1,341	6,750
Income tax expenses on continuing operations	<u>\$ 60,770</u>	<u>294,276</u>	<u>54,550</u>	<u>274,562</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Reconciliations of the Group's income tax expense and the profit before tax for 2016 and 2015 were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Income before income tax	\$ <u>211,682</u>	<u>1,025,066</u>	<u>286,428</u>	<u>1,441,649</u>
Tax expense based on the applicable tax rate of the subsidiaries	\$ 57,162	276,806	52,465	264,067
Non-deductible expenses	864	4,183	502	2,526
Tax exempt income	(4,010)	(19,418)	-	-
Underestimate (overestimate) of prior year's income tax	99	479	(151)	(759)
Unrecognized loss carryforwards	1,867	9,041	1,734	8,728
Underestimate of prior year's deferred tax assets	(402)	(1,947)	-	-
Estimated withholding tax of attributable earnings of subsidiaries in Mainland China	5,190	25,132	-	-
Total	\$ <u>60,770</u>	<u>294,276</u>	<u>54,550</u>	<u>274,562</u>

ii) Deferred income tax assets and liabilities

i. Unrecognized deferred income tax liabilities

In accordance with the dividend policy of the subsidiaries, it is very unlikely that the undistributed earnings as of December 31, 2016 and 2015 are to be distributed in the foreseeable future. As a result, the unrecognized deferred income tax liability amounted to CNY23,923 thousand (TWD110,452 thousand) and CNY24,027 thousand (TWD120,015 thousand), respectively.

ii. Unrecognized deferred income tax assets

Deferred income tax assets have not been recognized in respect of the following items:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Loss carryforwards	\$ <u>8,933</u>	<u>41,244</u>	<u>7,114</u>	<u>35,534</u>

The income tax benefits of Hong Kong Chlitina, Chlitina marketing Taiwan branch, Weihu (Shanghai)Trade Limited, Wuguan (Shanghai)Trade Limited, and Hong Kong W-Amber International Limited, resulted from the accumulated net losses, are unlikely to be realized in the future; therefore, no deferred income tax assets is recognized. The tax deduction for net loss is effective permanently for no expiration date, ten years, five years, five years and no expiration date.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii. Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

Deferred income tax assets and liabilities:

	Other payable		Inventories		Withholding tax of attributable earnings		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Balance at January 1, 2016	\$ 8,294	41,428	2,473	12,353	-	-	10,767	53,781
Recognized in profit or loss	(6,173)	(29,893)	(497)	(2,406)	(3,465)	(16,779)	(10,135)	(49,078)
Effect of movements in exchange rates	-	(1,743)	-	(823)	-	781	-	(1,785)
Balance at December 31, 2016	\$ <u>2,121</u>	<u>9,792</u>	<u>1,976</u>	<u>9,124</u>	<u>(3,465)</u>	<u>(15,998)</u>	<u>632</u>	<u>2,918</u>
Balance at January 1, 2015	\$ 7,323	37,289	4,785	24,365	-	-	12,108	61,654
Recognized in profit or loss	971	4,887	(2,312)	(11,637)	-	-	(1,341)	(6,750)
Effect of movements in exchange rates	-	(748)	-	(375)	-	-	-	(1,123)
Balance at December 31, 2015	\$ <u>8,294</u>	<u>41,428</u>	<u>2,473</u>	<u>12,353</u>	<u>-</u>	<u>-</u>	<u>10,767</u>	<u>53,781</u>

iii) The ROC income tax authorities have examined the Chlitina Marketing Taiwan Branch income tax returns for all years through 2015.

(m) Capital and other equity

As of December 31, 2016 and 2015, the total nominal ordinary shares both amounted to 79,492 thousand shares, face value of each share is \$10. The aforementioned shares are all common stocks. All issued shares were paid up upon issuance.

A reconciliation of the Company's outstanding shares of the years 2016 and 2015 were as follows:

	2016	(Thousand shares) 2015
Balance at January 1	79,492	79,492
Treasury stock acquired	(300)	-
Balance at December 31	<u>79,192</u>	<u>79,492</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

i) Additional paid-in Capital

The composition of the Company's capital surplus as of December 31, 2016 and 2015 were as follows:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Share premium from issuance	\$ 290,535	1,413,795	290,535	1,413,795
Changes in equity of associates and joint ventures accounted for using equity method	(1,326)	(6,218)	(1,326)	(6,218)
Share options	7,258	37,021	7,258	37,021
Employee share options	809	3,924	809	3,924
Other	<u>(3,068)</u>	<u>7,962</u>	<u>(3,068)</u>	<u>7,962</u>
	<u>\$ 294,208</u>	<u>1,456,484</u>	<u>294,208</u>	<u>1,456,484</u>

ii) Retained earnings

The Company's articles of incorporation require that the Company's net earnings from the current year shall be used to offset prior years' deficits, pay income tax, provide 10% as legal reserve, provide or reverse a special reserve in accordance with applicable law. 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.

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.

Earnings distribution for 2015 and 2014 was decided during the shareholders' meeting held on June 28, 2016 and June 17, 2015, respectively. The relevant dividend distributions to shareholders were as follows:

	Amount per share (New Taiwan dollars)	2015		2014	
		Amount		Amount	
		CNY	TWD	CNY	TWD
Dividends distributed to common shareholders:					
Cash	\$ 10.00	<u>163,902</u>	<u>794,924</u>	7.00	<u>115,517</u> <u>556,446</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) Other equities (net of tax)

	Foreign exchange differences arising from foreign operation	
	CNY	TWD
Balance at January 1, 2016	\$ 22,607	97,236
Foreign exchange differences arising from net assets of foreign operation	3,346	(279,042)
Balance at December 31, 2016	<u>\$ 25,953</u>	<u>(181,806)</u>
Balance at January 1, 2015	\$ 9,927	127,507
Foreign exchange differences arising from net assets of foreign operation	12,680	(30,271)
Balance at December 31, 2015	<u>\$ 22,607</u>	<u>97,236</u>

iv) Treasury stock

In 2016, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 300 thousand shares as treasury stock in order to protect the Company's integrity and shareholders' equity. As of December 31, 2016, a total of 300 thousand shares were not yet cancelled.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of September 30, 2016, the Company could repurchase no more than 7,949 thousand shares, with a total value of no more than \$2,867,350.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(n) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for years ended December 31, 2016 and 2015 were as follows:

i) Basic earnings per share

	2016		2015	
	CNY	TWD	CNY	TWD
Profit attributable to ordinary shareholders of the Company	<u>\$ 150,912</u>	<u>730,790</u>	<u>231,878</u>	<u>1,167,087</u>
Weighted-average number of ordinary shares (Retroactively adjusted)	<u>79,477</u>	<u>79,477</u>	<u>79,492</u>	<u>79,492</u>
Basic earnings per share (in dollars)	<u>\$ 1.90</u>	<u>9.19</u>	<u>2.92</u>	<u>14.68</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Diluted earnings per share

	2016		2015	
	CNY	TWD	CNY	TWD
Net income of the company	\$ 150,912	730,790	231,878	1,167,087
Effect of after tax interest expense of conversion bonds	3,561	17,244	282	1,421
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 154,473</u>	<u>748,034</u>	<u>232,160</u>	<u>1,168,508</u>
Weighted-average number of ordinary shares (Retroactively adjusted)	79,477	79,477	79,492	79,492
Impact of potential common shares				
Effect of employee stock bonus	120	120	109	109
Effect of convertible bonds	<u>3,312</u>	<u>3,312</u>	<u>260</u>	<u>260</u>
Weighted-average number of ordinary shares (diluted)	<u>82,909</u>	<u>82,909</u>	<u>79,861</u>	<u>79,861</u>
Diluted earnings per share (in dollars)	<u>\$ 1.86</u>	<u>9.02</u>	<u>2.91</u>	<u>14.63</u>

(o) Revenue

The details of the Group's revenue for the years December 31, 2016 and 2015 were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Net sale of goods	\$ 622,310	3,013,536	718,962	3,618,679
Trademark right income	48,124	233,040	130,072	654,678
Special affiliate income	13,327	64,536	12,755	64,198
Skin care service from direct retail outlets and other income	10,216	49,472	11,267	56,709
	<u>\$ 693,977</u>	<u>3,360,584</u>	<u>873,056</u>	<u>4,394,264</u>

(p) Employees' and directors' emoluments

In accordance with the Group's article, the Group should contribute 1%~5% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Group has accumulated deficits, the profit should be reserved to offset the deficit. Employees entitled to receive the above mentioned employee compensation, in shares or cash, includes the employees of the subsidiaries of the Group who meet certain specific requirements.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company estimated employee bonus to CNY3,247 thousand (TWD15,723 thousand) and CNY5,736 thousand (TWD28,870 thousand) and directors' emoluments amounting to CNY1,623 thousand (TWD7,862 thousand) and CNY2,749 thousand (TWD13,833 thousand) for the year 2016, respectively. The estimated amounts mentioned above are based on the net profit-pre-tax of each respective ending period multiplied by the amount of the employee bonus and the remuneration of the board of directors and supervisors as specified in the Company's policy. The estimations are reported under operating expenses, the information mentioned above can be searched on Market Observation Post System. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2016 and 2015.

(q) Non-operating income and expenses

i) Other income

	2016		2015	
	CNY	TWD	CNY	TWD
Government grants	\$ 5,551	26,880	7,169	36,083
Interest income-bank deposits	6,390	30,943	7,134	35,906
Other	<u>1,563</u>	<u>7,569</u>	<u>270</u>	<u>1,359</u>
	<u>\$ 13,504</u>	<u>65,392</u>	<u>14,573</u>	<u>73,348</u>

ii) Other gains and losses

	2016		2015	
	CNY	TWD	CNY	TWD
Loss on foreign exchange	\$ (4,517)	(21,876)	(4,336)	(21,822)
Net gains on financial assets at fair value through profit or loss	980	4,745	4,860	24,463
Losses on disposal of property, plant and equipment	(190)	(920)	(24)	(121)
	<u>\$ (3,727)</u>	<u>(18,051)</u>	<u>500</u>	<u>2,520</u>

iii) Finance expenses

	2016		2015	
	CNY	TWD	CNY	TWD
Interest expenses	<u>\$ 3,561</u>	<u>17,244</u>	<u>282</u>	<u>1,421</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Financial instruments

i) Credit risk

i. Exposure of credit risk

The Group's cash and cash equivalents and other financial assets are the main source of potential credit risk. The group deposits its cash and cash equivalents in credit –well financial institutions. Therefore, the group concluded that it is not exposed to credit risk. The Group's management have already built up the applicable policy and being monitored the credit risk they may be confronted with.

The maximum credit risk of each financial assets presents in financial statement after deducting Allowance for uncollectible due to the collateral. The Group didn't produce credit risk due to the collateral. Please refer to note 6(c) for the disclosure of accounts receivables and other receivables of the Group.

ii. The concentration of credit risk

Apart from the Group's largest customer, Customer A, the Group has no exposure to credit risk to any single counterparty and any similar group. The Group will treat the related party with similar characteristics as the counter party even if the counterparty is a related party. The Group assesses the credit risk of counterparties if their receivable balance exceeds 96% of the total trade receivables on December 31, 2015, except 2016.

ii) Liquidity risk

The following table shows the contract maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	Over 5 years
Unit: CNY thousand						
December 31, 2016						
Financial liability at fair value through profit or loss	\$ 4,366	4,366	4,366	-	-	-
Bonds payable	187,560	194,932	194,932	-	-	-
Accounts payable and other payable (including related parties)	47,477	47,477	47,477	-	-	-
Accrued expenses	26,529	26,529	26,529	-	-	-
Guarantee deposits	51,547	51,547	51,547	-	-	-
	<u>\$ 317,479</u>	<u>324,851</u>	<u>324,851</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2015						
Financial liability at fair value through profit or loss	\$ 613	613	-	-	613	-
Bonds payable	169,914	180,180	-	-	180,180	-
Accounts payable and other payable (including related parties)	60,725	60,725	60,725	-	-	-
Accrued expenses	20,178	20,478	20,178	-	-	-
Guarantee deposits	55,992	55,992	55,992	-	-	-
	<u>\$ 307,422</u>	<u>317,988</u>	<u>136,895</u>	<u>-</u>	<u>180,793</u>	<u>-</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	Unit: TWD thousand Over 5 years
December 31, 2016						
Financial liability at fair value through profit or loss	\$ 20,160	20,160	20,160	-	-	-
Bonds payable	865,965	900,000	900,000	-	-	-
Accounts payable and other payable (including related parties)	219,202	219,202	219,202	-	-	-
Accrued expenses	122,485	122,485	122,485	-	-	-
Guarantee deposits	237,992	237,992	237,992	-	-	-
	<u>\$1,465,804</u>	<u>1,499,839</u>	<u>1,499,839</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2015						
Financial liability at fair value through profit or loss	\$ 3,060	3,060	-	-	3,060	-
Bonds payable	848,721	900,000	-	-	900,000	-
Accounts payable and other payable (including related parties)	303,321	303,321	303,321	-	-	-
Accrued expenses	100,788	100,788	100,788	-	-	-
Guarantee deposits	279,679	279,679	279,679	-	-	-
	<u>\$1,535,569</u>	<u>1,586,848</u>	<u>683,788</u>	<u>-</u>	<u>903,060</u>	<u>-</u>

The Group is not expecting the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

iii) Currency risk

i. Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	Foreign currency	Exchange rate	CNY	TWD
December 31, 2016				
Financial assets:				
Monetary items:				
USD	\$	26,528	6.9851	185,298
CNY	\$	17,054	1.0000	17,054
Financial liabilities:				
Monetary items:				
USD	\$	3,357	1.0000	3,357
JPY	\$	3,565	0.9006	3,210

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Foreign currency	Exchange rate	CNY	TWD
December 31, 2015				
Financial assets:				
Monetary items:				
USD	\$ 35,435	6.5716	232,865	1,163,161
HKD	\$ 2,007	0.8478	1,702	8,501
CNY	\$ 23,321	1.0000	23,321	116,488
Financial liabilities:				
Monetary items:				
USD	\$ 31	6.5716	204	1,019
CNY	\$ 4,678	1.0000	4,678	23,367

ii. Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents that are denominated in foreign currency. A strengthening (weakening) 3% of appreciation (depreciation) of the TWD against the USD, HKD, CNY and the TWD for the years December 31, 2016 and 2015 would have increased (decreased) the net profit after tax by CNY5,527 thousand (TWD25,518 thousand) and CNY7,012 thousand (TWD35,025 thousand), respectively. The analysis assumes that all other variables remain constant.

Due to the different functional currencies used by the Group, a summary information on its gain (loss) on foreign exchange had been disclosed in its financial statements. The realized and unrealized loss on foreign exchanged for years amounted to CNY4,517 thousand (TWD21,876 thousand) and CNY4,336 thousand (TWD21,822 thousand), respectively.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

iv) Information for fair value

i. Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

Unit: CNY thousand

	Carrying amount	December 31, 2016 Fair value			Total
		Level 1	Level 2	Level 3	
Receivables					
Cash and cash equivalents	\$ 768,430	-	-	-	-
Accounts receivable and other receivables (including related parties)	5,310	-	-	-	-
Other financial assets	<u>23,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 796,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	\$ 4,366	-	4,366	-	4,366
Financial liabilities measured at amortized cost					
Bond payables	187,560	-	-	-	-
Accounts payable and other payables (including related parties)	47,477	-	-	-	-
Accrued expense	26,529	-	-	-	-
Guarantee deposits	<u>51,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>313,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 317,479</u>	<u>-</u>	<u>4,366</u>	<u>-</u>	<u>4,366</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	December 31, 2015 Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial instruments	\$ <u>2</u>	<u>2</u>	-	-	<u>2</u>
Receivables					
Cash and cash equivalents	679,967	-	-	-	-
Accounts receivable and other receivables (including related parties)	138,696	-	-	-	-
Other financial assets	<u>22,736</u>	-	-	-	-
Subtotal	<u>841,399</u>	-	-	-	-
Total	<u>\$ 841,401</u>	<u>2</u>	-	-	<u>2</u>
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	\$ <u>613</u>	-	<u>613</u>	-	<u>613</u>
Financial liabilities measured at amortized cost					
Bonds payables	169,914	-	-	-	-
Accounts payable and other payables (including related parties)	60,725	-	-	-	-
Accrued expense	20,178	-	-	-	-
Guarantee deposits	<u>55,992</u>	-	-	-	-
Total	<u>\$ 307,422</u>	-	<u>613</u>	-	<u>613</u>

Unit: TWD thousand

	Carrying amount	December 31, 2016 Fair value			Total
		Level 1	Level 2	Level 3	
Receivables					
Cash and cash equivalents	\$ 3,547,841	-	-	-	-
Accounts receivable and other receivables (including related parties)	24,516	-	-	-	-
Other financial assets	<u>106,754</u>	-	-	-	-
Total	<u>\$ 3,679,111</u>	-	-	-	-

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Carrying amount	December 31, 2015 Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	\$ <u>3,060</u>	-	3,060	-	<u>3,060</u>
Financial liabilities measured at amortized cost					
Bonds payables	848,721	-	-	-	-
Accounts payable and other payables (including related parties)	303,321	-	-	-	-
Accrued expense	100,788	-	-	-	-
Guarantee deposits	<u>279,679</u>	-	-	-	-
Subtotal	<u>1,532,509</u>	-	-	-	-
Total	<u>\$ 1,535,569</u>	-	<u>3,060</u>	-	<u>3,060</u>

ii. Valuation techniques in financial instruments measured at fair value—Non-derivative financial instruments

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices.

The fair value of financial assets and liabilities traded in the active markets will be based on the quoted market prices when the quoted prices can be obtained from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, as well as if they can represent as the one usually traded in fair market transaction in practice. If the requirements above-mentioned don't actually accomplish, the market ought to be seen inactive condition. Generally speaking, the index of inactive market are based on the large difference of the price between buying and selling transaction, the difference of the price between buying and selling transaction distinctively increasing or little quantity of trading volume.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements**

iii. Fair value hierarchy

The Group considers the carrying amounts of its financial assets and financial liabilities based on the observable market data. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- 1) Level 1: quoted prices (unadjusted) in the active markets for identified assets or liabilities.
- 2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- 3) Level 3: inputs for the assets or liability that are not based on the observable market data (unobservable inputs).

iv. Transfers between Level 1 and Level 2

During years, there were no significant transfers between Level 1 and Level 2.

(s) Financial risk management

i) Overview

The Group is exposed to the following risks arising from financial instruments:

- i. Liquidity risk
- ii. Market risk

This note expresses the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes to each risk.

ii) Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports to the Board of Directors on its activities.

The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables). The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters and to optimize return on investments.

The Group didn't engage in derivative financial instruments so there is not financial liabilities.

(t) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital.

The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	December 31, 2016	December 31, 2015
Debt-to-adjusted-capital ratio	<u>37 %</u>	<u>34 %</u>

As of December 31, 2016, there were no changes in the Group's approach of capital management.

(7) Related-party transactions

(a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant related party transactions

i) Operating revenue

The amounts of significant sales transactions between the Group and the related parties were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Other related parties	<u>\$ 92,349</u>	<u>447,221</u>	<u>253,839</u>	<u>1,277,620</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

There were no significant differences in the price between the related parties and other customers. The collection term for related parties is two months. For other customers, advance payment is required. Likewise, the trademark right income for related parties was a period of six months and two months for 2016 and 2015, and was to be disbursed in two months after the payment request.

ii) Purchases

The amount of purchase transactions between the Group and the related parties were as follows:

	2016		2015	
	CNY	TWD	CNY	TWD
Other related parties	\$ <u>21,851</u>	<u>105,813</u>	<u>24,068</u>	<u>121,139</u>

The selling price is the agreed price between the Company and each related party, and the payment term is two months, which is similar to those of the non-related suppliers.

iii) Receivables from related parties

The receivables due from related parties were as follows:

Accounts	Type of related parties	December 31, 2016		December 31, 2015	
		CNY	TWD	CNY	TWD
Accounts receivable	Other related parties	\$ 1,901	8,777	133,131	664,989
Other receivable	Other related parties	<u>584</u>	<u>2,696</u>	<u>946</u>	<u>4,725</u>
		<u>\$ 2,485</u>	<u>11,473</u>	<u>134,077</u>	<u>669,714</u>

Receivables from related parties are unsecured and interest-free.

iv) Payables to related parties

The payables to related parties were as follows:

Accounts	Categories of related parties	December 31, 2016		December 31, 2015	
		CNY	TWD	CNY	TWD
Accounts payable	Other related parties	\$ 4,408	20,352	4,451	22,233
Other payable	Other related parties	<u>1,954</u>	<u>9,022</u>	<u>2,604</u>	<u>13,007</u>
		<u>\$ 6,362</u>	<u>29,374</u>	<u>7,055</u>	<u>35,240</u>

Payables to related parties are unsecured and interest-free.

v) Prepayments

The prepayments to related parties (recorded under prepayments) were as follows:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Other related parties	\$ <u>4,495</u>	<u>20,753</u>	<u>2,663</u>	<u>13,302</u>

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

vi) Property exchange

The Group purchased from non-related parties intangible assets—computer software amounting to CNY21,487 thousand (TWD109,340 thousand). On March 12, 2015, the Board of Director passed a resolution to grant its other related parties part of the rights to access the software. Based on the proportion of the rights granted, each member of the Group was to assume its part of liability on the cost of acquisition amounting to CNY8,646 thousand (TWD43,610 thousand). As of December 31, 2016, all liabilities mentioned above had been paid off.

vii) Services expense

	2016		2015	
	CNY	TWD	CNY	TWD
Other related parties	\$ <u>8,432</u>	<u>40,881</u>	<u>6,558</u>	<u>33,007</u>

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

viii) Leases

	2016		2015	
	CNY	TWD	CNY	TWD
Other related parties	\$ <u>6,737</u>	<u>32,624</u>	<u>8,483</u>	<u>42,697</u>

The lease contract was signed in which the rental fee is determined based on the ongoing market rate and mutual agreements.

(c) Key management personnel compensations

Key management personnel compensation comprised the following:

	2016		2015	
	CNY	TWD	CNY	TWD
Short-term employee benefits	\$ 7,886	38,191	10,180	51,235
Post-employment benefits	83	402	80	403
Termination benefits	-	-	911	4,562
	<u>\$ 7,969</u>	<u>38,593</u>	<u>11,171</u>	<u>56,200</u>

(8) Pledged assets: None.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

(a) Capital expenditure

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Contact signed	\$ 1,188	5,485	5,409	27,018
Contract approved yet not been signed	<u>9,288</u>	<u>42,883</u>	<u>4,923</u>	<u>24,590</u>
	<u>\$ 10,476</u>	<u>48,368</u>	<u>10,332</u>	<u>51,608</u>

(b) Operating lease commitments

As of December 31, 2016, and 2015, the Group's future minimum lease payments under the non-cancellable operating leases are as follows:

	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Not later than 1 year	\$ 4,724	21,811	4,386	21,908
Not later than 1 year and not later than 2 years	600	2,770	662	3,307
Later than 2 years	<u>6,000</u>	<u>27,702</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,324</u>	<u>52,283</u>	<u>5,048</u>	<u>25,215</u>

The duration of the Group's operating lease is from 1 to 10 years. The contract can be renewed upon expiration. Lease asset does not generate any contingent expense.

(10) Losses due to major disasters: None.

(11) Subsequent events

On March 14, 2017, the board of directors had resolved to sell all shares of Yujia to a third party; the Group shall decide the selling price after considering Yujia's 2016 financial report. The effective date of termination will be determined based on the formal contract of termination before March 31, 2017.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Other

The employee benefit expenses, depreciation, depletion, and amortization categorized by function, were as follows:

By item	By function	December 31, 2016					
		Operating costs		Operating expenses		Total	
		CNY	TWD	CNY	TWD	CNY	TWD
Employee benefits							
Salary		3,198	15,486	77,650	376,020	80,848	391,506
Labor and health insurance		469	2,271	6,170	29,878	6,639	32,149
Pension		745	3,608	8,962	43,398	9,707	47,006
Others		274	1,327	7,157	34,658	7,431	35,985
Depreciation		1,114	5,395	16,905	81,862	18,019	87,257
Amortization		227	1,099	3,105	15,035	3,332	16,134

By item	By function	December 31, 2015					
		Operating costs		Operating expenses		Total	
		CNY	TWD	CNY	TWD	CNY	TWD
Employee benefits							
Salary		3,621	18,225	89,037	448,141	92,658	466,366
Labor and health insurance		472	2,376	6,248	31,447	6,720	33,823
Pension		678	3,413	9,088	45,742	9,766	49,155
Others		238	1,198	6,417	32,298	6,655	33,496
Depreciation		966	4,862	18,605	93,643	19,571	98,505
Amortization		229	1,153	2,380	11,980	2,609	13,133

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures**(a) Information on significant transactions**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

i) Loans extended to other parties:

No.	Name of Lenders	Name of borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purpose of fund financing for the borrowers	Transaction amount of business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Value		
0	The Company	Hong Kong Chilitina (Note 3)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	355,982 (Note 1)	1,423,929 (Note 1)
0	The Company	Chilitina China (Note 3)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	355,982 (Note 1)	1,423,929 (Note 1)
0	The Company	Weishuo (Note 3)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	355,982 (Note 1)	1,423,929 (Note 1)
0	The Company	Weihu (Note 3)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	355,982 (Note 1)	1,423,929 (Note 1)
0	The Company	Hong Kong W-Amber International (Note 3)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	355,982 (Note 1)	1,423,929 (Note 1)
0	The Company	Wuguan (Note 3)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	355,982 (Note 1)	1,423,929 (Note 1)
1	Hong Kong Chilitina	Chilitina China (Note 4)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	3,032,293 (Note 2)	3,032,293 (Note 2)
1	Hong Kong Chilitina	Weishuo (Note 4)	Other receivable	Yes	560,000	560,000	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	3,032,293 (Note 2)	3,032,293 (Note 2)
2	Chilitina China	Weihu (Note 7)	Other receivable	Yes	249,750	230,850	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	1,915,150 (Note 2)	1,915,150 (Note 2)
2	Chilitina China	Wuguan (Note 7)	Other receivable	Yes	93,860	92,340	23,085	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	1,915,150 (Note 2)	1,915,150 (Note 2)
3	Hong Kong W-Amber International	Weihu (Note 5)	Other receivable	Yes	24,975	23,085	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	353,164 (Note 2)	353,164 (Note 2)
3	Hong Kong W-Amber International	Wuguan (Note 5)	Other receivable	Yes	24,975	23,085	-	Lower 10% of loan market rate	2	-	Operating capital	-	-	-	353,164 (Note 2)	353,164 (Note 2)

Note 1: The allowable aggregate amount of financing provided to others cannot exceed 40% of the Company's stockholders' equity; the maximum financing provided to an individual counterparty cannot exceed 20% of the Company's stockholders' equity. The focus in instalments or revolving credit line granted to a specific counterparty by the chairman should not exceed 10% of the net worth announced in the latest financial statement.

Note 2: Based on the Company's guidelines, when the Group directly or indirectly owns 100% of the controlling power, the allowable aggregate of financing provided to others cannot exceed 40% of the Company's stockholders' equity; the maximum financing provided to an individual counterparty cannot exceed 100% of the Company's stockholders' equity.

Note 3: The shared line of credit to Hong Kong Chilitina, Chilitina China, Weishuo, Hong Kong W-Amber International Limited, Weihu, and Wuguan amounted to TWD560,000 thousand.

Note 4: The shared line of credit to Chilitina China and Weishuo amounted to TWD560,000 thousand.

Note 5: The shared line of credit to Weihu and Wuguan amounted to CNY5,000 thousand.

Note 6: For the purpose of lending, the numbering are classified as follows:

- (1) Business relationship is 1
- (2) Short-term financing is 2

Note 7: The shared line of credit to Weihu and Wuguan amounted to CNY50,000 thousand and CNY 20,000 thousand, respectively

ii) Guarantees and endorsements for other parties: None.**iii) Information regarding securities held at balance sheet date (Investment in subsidiaries, associates and joint ventures were excluded): None.****iv) Accumulated holding amount of a single security in excess of \$300 million or 20% of the paid-in capital:**

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales			Unit: thousand dollars	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Disposal gain	Shares
Chilitina China	Boera Yexiang money fund	Financial assets at fair value through profit or loss	-	-	-	-	170,742,000	788,316	170,742,000	789,336	788,316	1,870	-
Chilitina China	Industrial and Commercial Bank of China Fixed Xin money fund	Financial assets at fair value through profit or loss	-	-	-	-	810,000,000	3,739,770	810,000,000	3,745,961	3,739,770	6,494	-
Chilitina China	Chinese cash	Financial assets at fair value through profit or loss	-	-	-	-	348,945,000	1,611,079	348,945,000	1,613,018	1,611,079	2,034	-
Chilitina China	GF Honey Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	471,584,000	2,177,303	471,584,000	2,180,295	2,177,303	3,138	-
Chilitina China	Southern cash Zengli money B	Financial assets at fair value through profit or loss	-	-	-	-	100,000,000	461,700	100,000,000	462,342	461,700	673	-
Weishuo	Industrial and Commercial Bank of China Fixed Xin money fund	Financial assets at fair value through profit or loss	-	-	-	-	475,000,000	2,193,075	475,000,000	2,196,524	2,193,075	3,671	-

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of company	Name of entity	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales			Ending balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Disposal gain	Shares	Amount
Weishuo	China Universal money funds(1988)	Financial assets at fair value through profit or loss	-	-	188,902	9	33,802,300,000	1,360,652	33,802,488,902	1,362,924	1,360,661	2,373	-	-
Weishuo	Chinese cash	Financial assets at fair value through profit or loss	-	-	-	-	98,900,000	456,621	98,900,000	457,268	456,621	678	-	-
Weishuo	Southern cash Zengji money II	Financial assets at fair value through profit or loss	-	-	-	-	80,000,000	369,360	80,000,000	369,928	369,360	596	-	-
Weishuo	Jun De Li No.1	Financial assets at fair value through profit or loss	-	-	-	-	192,533,000	888,925	192,533,000	890,042	888,925	1,172	-	-

- v) Acquisition of real estate in excess of \$300 million or 20% of the paid-in capital: None.
- vi) Disposal of real estate in excess of \$300 million or 20% of the paid-in capital: None.
- vii) Sales to and purchases from related parties in excess of \$100 million or 20% of the paid-in capital:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Chilitina China	Weishuo	Subsidiary	Purchase	647,532	89	Credit period 60 days	-	-	(166,784)	(91)	Note1
Weishuo	Keli (China) Daily Product Co.,Ltd	Related parties	(Sale)	(203,575)	(24)	Credit period 60 days	-	-	8,541	5	-
Chilitina Intelligence Taiwan Branch	Keli (China) Daily Product Co.,Ltd	Related parties	(Sale)	(233,040)	(61)	Note 2	-	-	-	-	-
Chilitina Intelligence Taiwan Branch	Chilitina China	Subsidiary	(Sale)	(149,849)	(39)	Note 2	-	-	27,931	100	Note1

Note 1 : The transactions have been eliminated upon consolidation.

Note 2 : The collection term for related parties was a period of two months, and was to be disbursed in two months after the payment request.

- viii) Receivables from related parties in excess of \$100 million or 20% of the paid-in capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turn-over rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowances for bad debts
					Amount	Action taken		
Weishuo	Chilitina China	Subsidiary	166,784 (Note)	4.11	-	-	166,784 (As of March 14, 2017)	-

Note : The transactions have been eliminated upon consolidation.

- ix) Financial derivative instruments transactions: None.
- x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of the Company	Name of counter-parties	Existing relationship with the counter-parties	Transaction details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
1	Weishuo	Chilitina China	3	Sales	647,532	Credit period 60 days	19.27 %
1	Weishuo	Hong Kong Chilitina	3	Purchases	55,799	Credit period 60 days	1.66 %
1	Weishuo	Chilitina China	3	Accounts receivable	166,784	Credit period 60 days	2.97 %
2	Chilitina China	Wuguan	3	Sales	58,860	Credit period 60 days	1.75 %
3	Hong Kong Chilitina	Chilitina Marketing Taiwan Branch	3	Purchases	53,592	Credit period 60 days	1.59 %
4	Chilitina Intelligence Taiwan Branch	Chilitina China	3	Sales	149,849	In accordance with mutual agreements	4.46 %

Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

Note 2: The numbering below represents the relationships on the business transactions with counterparties:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

- (b) Information on investees:

The following is the information on investees for the years December 31, 2016:

Unit: thousand dollars

Name of the investor	Name of Investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income of investee	Investment income (losses)	Notes
				December 31, 2016	December 31, 2015	Shares	Ratio of shares	Book value			
Chilitina Holding	Chilitina Group	British Virgin IS	Investing	1,129,448	650,383	3,656,707,348	100	4,129,145	808,213	808,213	Note
Chilitina Group	Chilitina Intelligence	British Virgin IS	Investing	-	-	-	100	319,626	271,069	271,069	"
"	Chilitina International	British Virgin IS	Investing	511,274	511,274	17,000,001	100	3,239,740	558,849	558,849	"

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income of investee	Investment income (losses)	Notes
				December 31, 2016	December 31, 2015	Shares	Ratio of shares	Book value			
Chlitina Group	W-Amber International	British Virgin IS.	Investing	377,464	136,074	12,000,000	100	355,846	(5,690)	(5,690)	Note
"	W-Champion International	British Virgin IS	Investing	96,825	-	3,000,000	100	70,469	(14,208)	(14,208)	"
Chlitina International Limited	Chlitina France EUURL	France	Research and development center	188	188	500	100	-	-	-	"
"	Hong Kong Chlitina	Hong Kong	Investing and trading of skincare products	245,947	245,947	62,150,001	100	3,032,293	596,974	596,974	"
"	Chlitina Marketing	British Virgin IS.	Investing, trading of skincare products and research and development	349,851	320,781	11,622,882	100	175,571	(37,839)	(37,839)	"
W-Amber International	W-Amber Marketing	British Virgin IS.	Investing	382,863	137,808	12,000,000	100	355,680	(5,588)	(5,588)	"
W-Amber Marketing	Hong Kong W-Amber International	Hong Kong	Investing	387,279	147,068	92,800,000	100	353,164	(5,579)	(5,579)	"
W-Champion International	W-Champion Marketing	British Virgin IS	Investing	94,090	-	3,000,000	100	70,469	(14,208)	(14,208)	"
W-Champion Marketing	Hong Kong W-Champion International	Hong Kong	Investing	92,520	-	2,950,000	100	69,048	(14,072)	(14,072)	"

Note: The transactions have been eliminated upon consolidation.

(c) Information on investment in Mainland China:

i) Information on investment in Mainland China:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2016	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2016	Net income on investee	Direct / Indirect investment holding percentage	Investment income (loss) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Chlitina China	Dealer of skincare products and wealth food	255,923	(3)	-	-	-	-	396,940	100 %	396,940 (1)	1,915,150	-
Weishuo	Production and trading of skincare products	64,207	(3)	-	-	-	-	228,581	100 %	228,581 (1)	1,099,206	-
Wuguan	Dealer of wealth products and wealth food	64,193	(3)	-	-	-	-	(14,034)	100 %	(14,034) (2)	38,580	-
Weihu	Investing dealer of skincare products and wealth food	259,223	(3)	-	-	-	-	(5,826)	100 %	(5,826) (2)	226,215	-
Crystal Asia Shanghai	Dealer of skincare products and wealth food	6,455	(3)	-	-	-	-	349	100 %	349 (2)	6,385	-
Yujia	Service in medical and beauty treatment	445,930	(3)	-	-	-	-	(17,704)	49 %	(8,678) (2)	178,041	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third region companies to invest in Mainland China.
- (2) Through the establishment of third region companies then investing in Mainland China.
- (3) Through transferring the investment to third region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: Amounts of investment income (loss) were recognized based on:

- (1) The financial statements reviewed by an international accounting firm that has a cooperative relationship with accounting firms of the Republic of China.
- (2) The financial statements reviewed by the auditors of the parent company.

ii) Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by the Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with the regulations of Ministry of the Economic Affairs Investment Commission
-	-	- (Note)

Note: For foreign issuers listed on TWSE investments in China need not be limited in accordance with the Investment Commission, MOEA.

iii) Significant transactions with investees in Mainland China:

Please refer to note 13(a) 10.

(Continued)

CHLITINA HOLDING LIMITED AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information

The Group is engaged in the manufacturing, distributing, and business operations of beauty products under the brand of Chlitina.

The Group uses the following channels to endorse their products:

- (a) Via direct marketing to its customers
- (b) Through direct distribution of merchandise to its skin-care-service centers, wherein, the benchmark of its net profits, required quota, and total assets for the three months ended December 31, 2016 and 2015 are below 10% of all the sales channels combined.

Furthermore, the management believes that the second channel mentioned above should not be classified as a separate segment in the financial statements due to insufficiency in value, which thereupon, cannot be used as a reference. Hence, the information on assets, liabilities, and capital expenditures cannot be disclosed.

The Group had one major customer who constituted 29% of the total revenue in 2015, and had no major customer who constituted 10% or more of the total revenue in 2016.

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographic information	2016		2015	
	CNY	TWD	CNY	TWD
Revenue from external customers:				
China	\$ 663,121	3,211,166	843,554	4,245,775
Others	<u>30,856</u>	<u>149,418</u>	<u>29,502</u>	<u>148,489</u>
Total	<u>\$ 693,977</u>	<u>3,360,584</u>	<u>873,056</u>	<u>4,394,264</u>
Geographical information	December 31, 2016		December 31, 2015	
	CNY	TWD	CNY	TWD
Non-current assets:				
China	\$ 216,063	997,563	192,339	960,732
Others	<u>33,623</u>	<u>155,237</u>	<u>29,067</u>	<u>145,190</u>
Total	<u>\$ 249,686</u>	<u>1,152,800</u>	<u>221,406</u>	<u>1,105,922</u>

Non-current assets include property, plant and equipment, intangible assets, and other assets. They do not include financial instruments and deferred income tax assets.

(15) Total difference illustration between IFRS and the IFRS approved by Financial Supervisory Commission R.O.C

The differences between the IFRS and the IFRS approved by the FSC (ROC) had no material impact on the Group's consolidated balance sheet as of December 31, 2016 and 2015, as well as the consolidated income statement for the years ended December 31, 2016 and 2015.

- v. The most recent CPA reviewed and certified individual financial statement: None.
- vi. If Company and its affiliates encounter financial hardship in the most recent fiscal year up to the publication of this prospectus, explain the effect on company's financial position: None

VII. Review and Risk Items of Financial Status, Financial Performance

i. Financial Status

Unit: NTD 1,000

Item	Year	2015	2016	Difference		Change Analysis
				Amount	%	
Current assets		4,735,959	4,259,186	(476,773)	-10	1
Real estate, factory building, and equipment		1,066,537	975,309	(91,228)	-9	-
Other assets		172,357	375,455	203,098	118	2
Total assets		5,974,853	5,609,950	(364,903)	-6	1
Current liabilities		1,167,968	2,029,827	861,859	74	3
Non-current liabilities		860,156	20,301	(839,855)	-98	3
Total liabilities		2,028,124	2,050,128	22,004	1	-
Capital stock		794,924	794,924	-	-	-
Capital surplus		1,456,484	1,456,484	-	-	-
Retained earnings		1,598,085	1,533,427	(64,658)	-4	4
Other Equity		97,236	(225,013)	(322,249)	-331	5
Total Shareholder's Equity		3,946,729	3,559,822	(386,907)	-10	4

Change increase (decrease) analysis (for the changes more than 10% and the differential amount reached 1% of total assets for the current year):

1. Current assets decrease: Mainly result from net accounts receivable -related parties decrease significantly.
2. Other assets increase: Mainly result from purchase of estate in Chengdu in March 2016, currently the Company recognized as non-current asset as it is not reached operational status.
3. Change of current liability and non-current liability: As the Company issued the unsecured convertible bonds in 2015 in ROC for the first time, the non-current liability transfer to current liability in 2016,

resulting in considerable increase of current liability.

4.Reserved surplus decrease: The main cause is the dividend in 2016.

5.Other equity decrease: The main cause is the foreign exchange difference in the financial statement of foreign operation in 2016

Future response plan:

Our company will continue to ensure justifiability and accuracy of financial indexes. Based on the long-term development plan, our company adjusts short-term strategy as situation changes.

ii. Financial Performance

(1) Comparative Analysis of the Operating Result

Unit: NTD 1,000

Item	Year		Amount of increasing (decreasing)	Change ratio (%)	Change Analysis
	2015	2016			
Operating revenue	4,394,264	3,360,584	(1,033,680)	-24	1
Operating cost	1,055,728	662,280	(393,448)	-37	2
Gross margin	3,338,536	2,698,304	(640,232)	-19	3
Operating profit or loss	1,371,183	1,003,647	(367,536)	-27	4
Non-operating revenue & expense	70,466	21,419	(49,047)	-70	-
Pre-tax net profit	1,441,649	1,025,066	(416,583)	-29	5
Pre-tax net profit of continuing operations	1,441,649	1,025,066	(416,583)	-29	5
Net profit (loss) for the period	1,167,087	730,790	(436,297)	-37	6
Other comprehensive profit or loss current period (Net after tax)	(30,516)	(279,566)	(249,050)	816	7
Total comprehensive profit or loss current period	1,136,571	451,224	(685,347)	-60	8
Net profit attributable to owners of the parent	1,167,087	730,790	(436,297)	-37	-
Net profit attributable to non-controlling equity	-	-	-	-	-
Comprehensive profit or loss attributable to owners of the parent	1,136,571	451,224	(685,347)	-60	-

Comprehensive profit or loss attributable to non-controlling equity	-	-	-	-	-
Change increase (decrease) analysis (for the changes more than 10% and the differential amount reached 1% of total assets for the current year):					
<ol style="list-style-type: none"> 1. Operating revenue decrease: In 2016, PROCESSING revenue and royalty revenue decreased significantly due to the internal adjustment in Kelti (China) 2. Operating cost decrease: The operating cost decreased to accommodate the operating revenue decrease. 3. Gross margin decrease: The gross margin decrease to accommodate the operating revenue decrease. The margin rate increase was caused by the decrease of PROCESSING revenue with lower margin rates in 2016 4. Operating business profits or losses decrease: Operating business profits or losses decreased to accommodate the operating revenue decrease. 5. Pre-tax net profit and this period's net profit decreases: The main causes are gross margin decrease and operating business profits or losses decrease. 6. Net Profit for the period decrease: result from decrease of gross margin and operating profit. 7. Other comprehensive income decrease for this period: The main cause is the foreign exchange difference in the financial report of foreign operation decreased in 2016. 8. Total comprehensive income decrease in this period: the main cause is the decrease of after-tax net profit in this period. 					

(2) Expected Sales Volume for the Coming Year and Its Basis

The Company sets its annual sales target by taking the industrial environment into consideration and based on past operating performance. As the Chinese cosmetics consumer market is very large, the growth rate of cosmetics industry chains is still extremely high, and the Company's market expansion has been successful. It is expected that sales this year will grow further over last year's. As a result, the company's financial business situation will see an increase.

(3) The possible influence on the Company's future financial business, and the countermeasures to be taken

The industry that the Company belongs to is still considered to be in the growth stage, and will continue to deepen the brand essence of "Women, Love Bravely" in the future. Increase brand awareness through various media promotions; change the status depending on market needs; expand market share; increase company profitability. Future sales should continue to grow, and the financial status is good.

iii. Cash Flow

(1) Analysis for the last year's (2016) cash flows change

Unit: NTD 1,000

Item \ Year	2015	2016	Change of Increase (decrease)	
			Amount	%
Net cash flow from operating activities	549,758	1,473,962	924,204	168
Net cash flow from investing activities	121,223	(292,503)	(413,726)	(341)
Net cash flow from financial activities	333,482	(838,131)	(1,171,613)	(351)

- (1) Net cash flow from operating activities: Mainly caused by the account receivable balance reduce in 2016.
- (2) Net cash flow from investing activities: In 2016, our company purchased estate in Chengdu, China, resulting in net cash outflow.
- (3) Net cash flow from financial activities: Main cash outflow was the cash dividend distribution.

2. Improvement plan for deficient liquidity:

The 2016 net cash flow from operating activities is positive. The amount was sufficient for operation. No insufficient liquidity problem.

3. Analysis of cash liquidity for the coming year (2017)

Unit: NTD 1,000

Beginning cash balance	Expected annual net cash flow from operating activities	Expected annual net cash outflow from investing & financial activities	cash surplus (deficiency) amount	Countermeasures for cash deficiency	
				Investment plan	Finance plan
3,547,841	762,405	(1,561,682)	2,748,564	-	-

1. Analysis of current year's (coming year) changes in cash flows
 - (1) Operating activities: Net cash inflow is expected due to continuing operating revenue increases in 2017.
 - (2) Investment activities: Net cash outflow is expected due to capital expenditure increase.
 - (3) Financial activities: Net cash outflow is expected due to repayment of loan and interest and cash dividend distribution.
2. The remedial measure for the predicted insufficient amount of cash and liquidity analysis: not applicable.

iv. Effects of Key Capital Expenses on Finances and Business

- (1) Major capital expenditure and usage: None.
- (2) Potential benefit: Omitted.

v. Most recent year re-investment policy, the main reasons for its profit or loss, improvement plans and the coming year investment plan

1. Re-investment policies

Targets of the company's reinvestment are mainly in this industry, and we are not engaged in the investment of non-related industries. The Company's management of reinvestment business, apart from being in accordance with internal control system loop provisions, is also in accordance with the 'Management Measures for Stakeholders' Transactions' and 'Measures for the Supervision and Management of Subsidiaries,' formulated by the Company, and takes into consideration the actual operating conditions of each reinvested company's local legal provisions, assisting each reinvested company to establish an appropriate internal control system.

2. Main reasons of last year re-investment profit or loss

Unit: NTD 1,000; Dec. 31, 2016

Re-investment enterprise	Area	Main scope	Original invested Amount	Cause of the profit or loss	Improvement plan	Future other investment plans
Chlitina Group Limited	British Virgin IS.	Investment holdings	1,129,448	profit of holding company from the subsidiary	None	None
Chlitina Intelligence	British	Company	-	charges of	None	None

Limited	Virgin IS.	holding Intellectual property right		trademark rights		
Chlitina International Limited	British Virgin IS.	Investment holdings	511,274	profit of holding company from the subsidiary	None	None
W-Amber International Limited	British Virgin IS.	Investment holdings	377,464	loss of holding company from the subsidiary	Enjoin subsidiary to improve operation for higher profits	None
W-Champion International Limited	British Virgin IS.	Investment holdings	96,825	loss of holding company from the subsidiary	Enjoin subsidiary to improve operation for higher profits	None
Chlitina France EURL	French	R&D Center	188	R&D of products	None	None
Hong Kong Chlitina International Limited	Hong Kong	investment holdings, skin care product sales	245,947	sales of own brand products and invested profit on subsidiaries	None	None
Chlitina Marketing Limited	British Virgin IS.	investment holdings, skin care product sales, and health food products and R&D	349,851	Operating didn't reach scale economies	further promote Taiwan market	None
W-Amber Marketing Limited	British Virgin IS.	Investment holdings	382,863	loss of holding company from the subsidiary	enjoin subsidiary to improve operation for higher profits	None
Hong Kong C- Asia International Limited(Changed from "Hong Kong Crystal Asia International Limited")	Hong Kong	Investment holdings	387,279	loss of holding company from the subsidiary	enjoin subsidiary to improve operation for higher profits	None
W-Champion Marketing Limited	Hong Kong	Investment holdings	94,090	loss of holding company from the subsidiary	enjoin subsidiary to improve	None

					operation for higher profits	
Hong Kong W-Champion International Limited	Hong Kong	Investment holdings	92,520	loss of holding company from the subsidiary	enjoin subsidiary to improve operation for higher profits	None
Chlitina (China) Trade Limited	Mainland China	Sales of skin care products, and health food products	255,923	sales of own brand and other brands and franchise operation and management	None	None
W-Amber (Shanghai) Daily Product Limited	Mainland China	Product and sales of skin care products	64,207	Manufacturing and sales of own brand products	None	None
W-Champion (Shanghai) Trade Limited	Mainland China	Sales of skin care products, and health food products	64,193	Operating didn't reach scale economies	Improving company's business promotion	None
W-Amber(Shanghai)Trade Limited	Mainland China	investment holdings, Sales of skin care products, and health food products	259,223	No actual distribution yet. The losses are from the investee company, which was still under development.	Improving the management of the investee company to better operation for higher profits.	None
Jingya (Shanghai) Trade Limited	Mainland China	Sales of skin care products, and health food products	6,455	No actual distribution yet. The losses are from the investee company, which was still under development.	Improving the management of the investee company to better operation for higher profits.	None

3.Next year investment plan

In addition to actively expanding cosmetics chain franchise stores, in recent years the Company has also been working on the expansion of beauty-related businesses, such as medical cosmetics, with the intention of further cultivating the market, improving brand positioning, and enhancing the competitive advantage of the Group as a whole, expanding sales channels, and expanding the company's revenue scale and profitability, to create greater value for shareholders.

1). The company will set up beauty clinics and utilize the resources of existing cosmetic chains to expand the medical cosmetic market.

2). Enhance product research and development and include research programs related to regenerative medicals

3) In future, the company will examine market demand and the operational needs of its subsidiaries, and promote diverse outlets and store expansion projects, With respect to relevant investment plans, the Company will carry out investment assessment and post-approval decision procedures in accordance with regulations.

vi. Risk Analysis and Assessment Matters for the Most Recent Year and Up to the Annual Report's Date of Publication:

1. In the last fiscal year, the Company's single overseas operating bases or subsidiaries which meet one of the important subsidiary criteria of Article Two, Paragraph One, Clause 2 of CPA audit financial statements, should supplement the content of the overseas operational base or subsidiaries risk considerations descriptions:

For subsidiaries of the Company which fit the previously stated recognized standards of "important operational bases or subsidiaries" including the Chlitina Group Limited, Chlitina International Limited, Chlitina Intelligence Limited, Hong Kong Chlitina International Limited, Chlitina Marketing Limited, Chlitina (China) Trade Limited and W-Amber (Shanghai) Daily Product Limited, risk issues arising from such matters as changes in the local macroeconomics, or politico-economic environment, exchange controls, tax and related laws and regulations, and whether or not there is recognition of the validity of ROC civil court case judgments, as well as other risk issues and response measures, please refer to below.

2. Foreign issuing companies should supplement and clearly narrate such risk issues as changes in the local macroeconomics, or politico-economic environment, exchange controls, tax and related laws and regulations, and whether or not there is recognition of the validity of ROC civil court case judgments, and other risk issues in the foreign issuing company's country of registration and country of principal operations, and provide description of the measures to be taken in response:

(1) Country of Registration: British Cayman Islands

A. Changes in the macroeconomics or Politico-economic Environment

The Cayman Islands are a British overseas territory in the West Indies, located in the Caribbean Sea approximately 268 kilometers north-west of Jamaica, and 640 kilometers south of Miami. They consist of three main islands, and are a British Overseas Territory. The capital city and commercial center is George Town. Financial services are the Cayman Island's main source of income, and the territory has now become the world's fifth largest financial center after New York, London, Tokyo, and Hong Kong, with a large number of legal, accounting and other professional services organizations providing swift and convenient services.

The types of locally registered companies can be divided into five categories: Ordinary Companies, Ordinary No-Resident Companies, Exempted Companies, Exempted Limited Duration Companies and Foreign Companies. Of these, as exempted companies cannot do business locally, they are set up by foreign enterprises and individuals to carry out financial planning. In recent years, at the same time as vigorously developing the finance, insurance and marine businesses, the Cayman government has also actively improved its good reputation for offshore financial operations and signed a 'Mutual Legal Assistance Treaty' with the United States and the United Kingdom, in order to jointly prevent international criminal organizations using the Cayman's financial system and carrying out illegal trading.

In summary, the Company is only a Cayman Islands holding company; its registered type is an exempted company. It carries out no actual business operations or production locally, and the British Cayman Islands have for a long time enjoyed a state of political stability. With respect to changes in the Macro economics and politico-economic environment, these would have no significant impact on the Company's overall operations.

B. Foreign Exchange Controls, Tax Risks and Relevant Laws

The British Cayman Islands have no foreign exchange restrictions, and apart from an annual license fee for exempted companies, there is currently no corporate income tax or VAT. With respect to legal stipulations, the main stipulations for exempted companies of the Cayman Islands are as follows:

- (A) Exempted companies shall not conduct any business in the territory of the Cayman Islands, unless this business is of a direct help to the company's foreign operations.
- (B) Without the approval of the Financial Secretary of the Cayman Islands, exempted companies may not hold land within the territory of the Cayman Islands. Exempted companies which are not listed on the Cayman Islands Stock Exchange may also not issue invitation to the public in the Cayman Islands to subscribe for the company's shares or debentures.
- (C) The Company Act of the Cayman Islands does not provide that companies must hold annual shareholders' meetings. A company should convene general meetings of shareholders and board meetings in accordance with the provisions of the company's Articles of Incorporation, and the location for these is not limited to the Cayman Islands. However, at a shareholders meeting on June

19, 2014, the Company adopted a resolution by the shareholders on the Company's Articles of Incorporation (hereinafter referred to as 'Articles of Incorporation of Listed Companies'), which provides that the Company shall hold a shareholders' meeting within six months of the end of each fiscal year or within the period approved of by the stock exchange, and the Articles of Incorporation of Listed Companies also provides that during the stock listing, all shareholders' meetings of the Company shall be held within the territory of the Republic of China.

- (D) The issuance of new shares needs to be approved by the board of directors. The Articles of Incorporation of the Company provides that to issue new common shares, consent must be obtained at a board of directors meeting attended by a majority of the directors and with more than two thirds of directors present. The Company may not issue any shares with payment for shares outstanding or issue shares with only part of the payments made.
- (E) Exempted companies do not need to submit or declare details of their shareholders to the Cayman Islands company registry. However the Company's Articles of Incorporation provides that the board of directors shall store a shareholders' registry document in appropriate premises either inside or outside the territory of the Cayman Islands.
- (F) Exempted companies do not have to be open to public inspection.
- (G) Exempted companies can apply to the government of the Cayman Islands for a letter of undertaking to not be taxed as an exempted company. The letter of undertaking obtained from the first application is valid for 20 years, and application can be made for renewal before maturity is reached.
- (H) Exempted companies can apply for deregistration, and registration status can also be transferred to another country.
- (I) Exempted companies can register as exempted limited duration companies. A limited duration company needs to have at least two shareholders, and the maximum period of validity is up to 30 years.
- (J) As Cayman Islands law with regard to safeguarding the equity of minority shareholders differs with other areas of jurisdiction such as the Republic of China, the Company has amended the stipulated limitations within the Company's Articles of Incorporation in accordance with the ROC Securities and Exchange Act, Company Act and other laws and regulations, as well as the competent authority's requirements, in order to safeguard the shareholders' equity of Taiwan investors.
- (K) Without obtaining special permission, words such as bank, trust, mutual fund, insurance, royal, imperial, empire, assurance, building society, or reinsurance, may not appear in the company name, and registration documents must be written in English.

In summary, as the British Cayman Islands adopt an open policy on foreign exchange, there are no relevant regulatory restrictions; hence there is no significant effect on the Company's use of funds. Also local government grants exempted companies preferential policies on tax. In the relevant laws and

regulations, apart from the above-mentioned limitations on business operations within the territory, extending invitations to citizens of the islands to subscribe for shares or debentures, as well as the acquisition of land and the limitations on company name, exempted companies have no significant operational restrictions. The Company is only registered locally as a holding company; it does not itself have any operational activities or production locally. Thus, in terms of tax and related laws, the Cayman Islands where the Company filed and completed registration does not have a significant impact on the overall operational circumstances of the Company.

C. Determining Whether to Recognize the Validity of ROC Civil Court Judgments

(A) The risk of litigation request:

The company is incorporated in the Cayman Islands with exemption, and not recognized by the Ministry of Economic Affairs in accordance with the provisions of the Company Act in Taiwan; but the company's Articles of Incorporation provide that for the protection of some of the company shareholders' rights and interests, the company may appoint the Taiwan Taipei District Court as the court of first instance for jurisdiction, and the company has appointed litigation and non-litigation agents in the territory of the Republic of China in accordance with the provisions of the Taiwan Stock Exchange. However, if investors file a law suit against the company or the legal representative in a court in the Republic of China, the court may still determine the existence of the jurisdiction and the delivery method based on the nature of the case and the situation, and the court may also require investors to explain the foreign laws involved in the case. Therefore, not all types of cases can surely obtain substantive decisions from a court in the Republic of China.

(B) The risk of decision recognition and enforcement:

The law of the Cayman Islands does not expressly stipulate that a decision made in a civil court of the Republic of China (hereinafter referred to as "ROC court decision") can be enforced in the Cayman Islands, but according to the common law of the Republic of China, if a ROC court decision meets the following requirements, then the Cayman Islands court shall acknowledge the effectiveness of the decision and enforce it: (1) the foreign court which makes the decision has the jurisdiction; (2) the decision clearly states that the obligor shall bear the payment obligation of the liquidated sum specified in the decision; (3) the decision is final; (4) there is no taxes, fines or penalties involved; (5) the acquisition method, recognition and enforcement of the decision do not violate the principle of fairness and justice or public policies of the Cayman Islands.

If the Cayman Islands court does not acknowledge the ROC court decision, then the decision cannot be enforced even if investors obtain a decision in our country. Therefore investors shall understand the legal risk of buying securities issued by foreign issuers.

D. Whether our country can extradite the accused for trial

The securities supervisory authority of the Cayman Islands where the company is registered already signed the "International Securities Management Organizations Multilateral Memorandum", and the ROC Financial Supervisory Commission of the Executive Yuan may base on the Memorandum request the securities supervisory authority of the Cayman Islands to provide relevant information or files, including but not limited to the current record which is sufficient to rebuild all securities and derivatives transactions (including bank and trading account movement records concerning all fund and asset transfers). However, there is no relevant provision of the Memorandum regarding extradition, and Taiwan does not have the right to request the Cayman Islands to extradite the accused back to Taiwan pursuant to the Memorandum. Furthermore, there is no mutual assistance agreement in criminal justice signed between Taiwan and the Cayman Islands. In summary, Taiwan may face the risk of not being able to request the Cayman Islands to extradite the accused back to Taiwan for a trial.

E. The risk of law applicability due to the law difference between the Republic of China and the Cayman Islands

(A) The company is established pursuant to the law of the Cayman Islands, and for the application for listing on the Taiwan Stock Exchange Corporation, the company has amend its Articles of Incorporation in compliance with the requirements of the relevant laws and regulations of the Republic of China to protect the equity of shareholders. For matters not provided in the Articles of Incorporation, the company shall handle them in accordance with relevant laws of the Cayman Islands and the ROC laws applicable to foreign issuers. As there are many differences between the laws and regulations of the Cayman Islands and the Republic of China on company operation requirements, investors can not apply the legal rights protection for investment in a Taiwanese company on the investment in a Cayman company, and should firmly understand and seek expert advice when necessary whether the rights and interests of shareholders can be protected in an investment in a Cayman company.

(B) The difference between the decrees and the securities exchange regimes of the Cayman Islands and the Republic of China may still cause conflicts in law applicability and interpretation. As the conflicts in law applicability and interpretation need to be resolved in court, investors need to be reminded that if they need to request a Cayman Islands court to enforce a Taiwan court decision, or file a law suit or exercise their rights in a Cayman Islands court, the Cayman Islands court will not necessarily recognize the decrees and trading practices in Taiwan (including but not limited to the share transfer method and shareholders' record), and this may cause a risk in the exercise of rights on a foreign company.

F. Investors should carefully assess whether their financial capacity and economic situation is appropriate for investment before trading foreign listed, OTC and Emerging Market securities, with particular

attention to the following matters:

- (A) The company is registered in the Cayman Islands and subject to local laws and regulations. The relevant provisions of its corporate governance, accounting standards and taxation system may be different from the requirements of our country, and the listing standards, review methods, information disclosure and protection of shareholders' equity and interests are different from those for a domestic enterprise. Investors should be aware of this feature and the potential investment risks.
- (B) The exercise and protection of shareholders' rights and interests in the Company Act of the place where the company is registered are different from the laws and regulations of our country. Investors should carefully read the company's annual report and Articles of Incorporation, understand matters relating to the capital increase and reduction procedures, disposal of the company's shares after acquisition, restrictions on the transfer of shares, notice period of a shareholders meeting, attending shareholders meetings and exercising the voting right, dividend payout ratio and procedures, director election and dismissal method, rights of the board of directors, functions and powers of independent directors and the Audit Committee, directors' and executives' remuneration, directors' and managerial officers' right of remuneration claim on the company and other important matters relating to corporate governance and shareholders' interests and interests which are applicable to the company. If necessary, investors should consult lawyers, CPAs and other professionals with local licenses.
- (C) Investors should understand the characteristics and risks of the company before investment, including: the liquidity risk of the country's market, the company's business and financial risks, as well as the political, economic, social change, industry cycle change and decree risks in the place of registration and main operations.
- (D) Not all foreign securities investment risks and factors affecting market conditions can be elaborated. Before dealing investors should read the annual report and public announcements in detail, be discerning about other possible factors that may affect investment decisions, and firmly perform financial regulatory planning and risk assessment so as to avoid unbearable losses from transactions.

(2) Main country/place of operations: British Virgin Islands

Chlitina Group Limited, Chlitina International Limited, Chlitina intelligence Limited and Chlitina Marketing Limited, the main subsidiaries of the company which are located in the main country of operations, are all established in accordance with the British Virgin Islands law, and the related risks are explained as follows:

A. Macroeconomics and political and economic environment change

The British Virgin Islands is a British overseas territory, located in the Caribbean region in the east of Puerto Rico, and is collectively referred to as the Virgin Islands with the adjacent American Virgin

Islands and Spanish Virgin Islands. At present, the British Virgin Islands is a British overseas territory with autonomous management, an independent legislative council and political stability, and tourism and financial services as the main source of income. Since 1959, the common currency is US dollar, and the local official language is English.

B. Foreign exchange control, law and tax risks

The British Virgin Islands has no foreign exchange control. For the overseas income of a business company registered here, other than the annual license tax payment to the local government and the expenses for the registered address and registered agent, there is no corporate tax, capital gains tax, property tax or other business tax for a business company. A British Virgin Islands business company has a special exemption from the payment of income tax. The "Income Tax Law" also exempts business companies from the relevant provisions of the "Stamp Tax Law" and Registration and Record Law" on all documents or contracts involved in the company's operations, including the transfer of all properties and transactions involving the company's securities. People living and working in the British Virgin Islands only pay a very low salary tax. On laws and regulations, in accordance with the provisions of the BVI Business Companies Act 2004, a company may not announce or pay a dividend unless the directors are of the opinion that after the dividend payment: (a) the company can pay off debts in due course, and (b) the company's assets are still greater than its liabilities.

C. Whether a civil decision of the court of the Republic of China is recognized

The law of the British Virgin Islands does not expressly state that a civil decision of the court of the Republic of China (hereinafter referred to as the "ROC court decision") may be executed in the British Virgin Islands. If a final litigation decision is obtained from a Taiwan court requesting a company to make a payment (not of the nature of multiplied damages, taxes or other similar payments, or fines or other penalties), the court of the British Virgin Islands will deem it effective and make a judgment according to the decision. However: (a) the Taiwan court shall have appropriate jurisdiction over the parties involved in the decision; (b) the Taiwan court does not violate the principle of natural justice of the British Virgin Islands; (c) the decision is not obtained by fraud; (d) execution of the decision will not violate the British Virgin Islands' public policies; (e) the British Virgin Islands court does not receive any new evidence associated with this litigation which can be adopted before the verdict, and (f) due process has been complied with under the laws of the British Virgin islands.

(3) Main country/place of operations: Hong Kong

Hong Kong Chlitina International Limited, the main subsidiary of the company which is located in the main place of operations, has a main business in investment holding and the sale of skin care products. The related risks are described as follows:

A. Macroeconomics and political and economic environment changes

Hong Kong is located on the South China Sea coast, in the east of the Pearl River Estuary, north of

Shenzhen of Guangdong Province, south of Wanshan islands, and with Macau and Zhuhai of Guangdong in its west. Hong Kong consists of the Hong Kong Island, Kowloon and the New Territory, with a total of 263 islands. Hong Kong and the United Kingdom signed the Sino British Joint Declaration in 1984 and the sovereignty of Hong Kong was transferred and became a special administrative region on July 1, 1997. Hong Kong implements the "Hong Kong Basic Law" which prescribes that Hong Kong does not implement socialism, and maintains the original capitalism and the way of life for fifty years. Other than national defense and foreign affairs, Hong Kong enjoys a high degree of autonomy in all other matters and the right to participate in international affairs, which is known as "Hong Kong people manage Hong Kong, with a high degree of autonomy". It now has an important role in the Asia Pacific region, and is a modern international metropolitan mainly in industry and commerce, and is known as one of the "Asia's four little tigers" and "Nylonkong". Hong Kong is an important international financial, service and shipping hub, and is famous for its integrity, social security, economic freedom and sound legal system.

According to the Hong Kong Company Act, a locally registered company may be set up as a private limited company, an unlimited company or a limited guarantee company. A company must have an English name, or the name can be shown in both Chinese and English. There is not a floor for the authorized capital amount, and the amount of capital is usually HK\$10,000. A Hong Kong company must appoint a company secretary who is a local citizen, and must have at least one director (either an individual or a corporate). A Hong Kong company must apply for a business registration certificate and register with the tax bureau. Within 42 days from the anniversary of its establishment a company must submit its annual report to the registrar for recordation, and every year it must be audited by a qualified independent auditor (i.e. CPA). A company which may have to pay income tax will be issued a tax reporting form, which needs to be filled out after the end of the year and submitted to the government within a month after the tax reporting form is issued, together with the audited accounts (Hong Kong tax regulations require that a newly set up Hong Kong company shall confirm whether it is required to fill out a tax reporting form and submit audited accounts after 18 months of its establishment).

B. Foreign exchange control, tax and related law risks

Hong Kong has no foreign exchange restrictions and the tax system in Hong Kong is "region" or "tax source" based. Generally, taxes are levied only on the income or profits received in the territory of Hong Kong, and overseas income is not taxed. The major taxes include:

- ① Salary tax: The taxpayers are those who work in Hong Kong and earn compensation. The government offers various tax deductions for salary taxpayers, and the tax is levied based on a progressive tax rate scheme after the deductions.
- ② Profit tax: For taxpayers who make business profits in Hong Kong.

- ③ Property tax: For taxpayers who hold properties and rent them for a profit in Hong Kong. There is no property tax, but a property transaction profit tax, land tax and land rental tax.
- ④ Stamp duty: The tax levied by the Hong Kong government on any real estate transfer, real estate lease and stock transfer.
- ⑤ Commodity tax: Hong Kong generally does not levy any tax on commodities, except alcohol, tobacco, hydrocarbon and methanol.

C. Whether a civil decision of a court of the Republic of China is recognized

There is no reciprocal measure of execution between the court in Hong Kong and the court in the Republic of China, so a favorable court decision in the Republic of China can only be recognized and enforced in accordance with the provisions of the Common Law in Hong Kong. However, the Hong Kong court will decide whether to recognize and enforce a ROC court decision according to the specific circumstances of each decision, and consider whether the decision is in line with a number of conditions, including but not limited to:

- ① Whether the right the decision of the case covers belongs to a private right;
- ② Whether an acknowledgement of the decision meets the demand of the interests of justice, common sense and legal order;
- ③ Whether an acknowledgement of the decision will not harm sovereign interests or violate public policies;
- ④ Whether the decision is in line with the Common Law principles, including but not limited to: (i) whether the decision is effective and final; (ii) whether the decision related parties (or interested parties) are the same as the parties (or interested parties) at the Hong Kong court; (iii) whether the case can be resolved if the decision is reviewed at the Hong Kong court.

(4) Main country/place of operations: Mainland China

Chlitina (China) Trade Limited and Weishuo (Shanghai) Daily Product Limited are the main subsidiaries of the company which are located in the main country of operations, and both are established in accordance with the Chinese law. The related risks are explained as follows:

A. Macroeconomics and political and economic environment changes

According to the data of China's National Bureau of Statistics on Feb. 28, 2017, in 2013 the GDP was CNY59.5 trillion 24.4 billion, representing a growth of 7.8% from 2012. In 2014, the GDP was CNY64.3 trillion 97.4 billion, representing a growth of 7.3% from 2013. In 2015, the GDP was CNY68.9 trillion 5.2 billion, representing a growth of 6.9% from 2014. In 2016, the GDP was CNY74.4 trillion 12.7 billion, representing a growth of 6.9% in 2015. Although the growth rate has slowed down, the economic structure is continuously improving. The data shows that Mainland China's economy has shown a "new normal state". The economic growth target of 7 to 8 percent according to Mainland China's "12th Five-Year Plan" has a perfect ending, and has laid a solid foundation for the economic

and social development for the "13th Five-Year Plan". The economy is expected to remain a high-speed increase in the future.

While the basic driving force for China's economic growth has not changed, the economic growth is still faced with the changes of resource and environmental conditions, labor supply and demand and the status of China's population. In the mid to long term, the key to the growth in China's economy will be more focused on the mode of development transition and the adjustment to the economic structure. Therefore, judging from Mainland China's recent economic situation, price control will be the priority of its macro-control. After the macro-control measures gradually take effect, the economic growth will slow down; but even so, the driving force for Mainland China's stable mid to long term economic development still remains.

The company's products are mainly manufactured and produced in China. In addition, the company's development strategy relies on the Mainland China market as the main operating base, and the revenue is also mainly from Mainland China. Accordingly, the financial position, operating results and prospects of the company will be affected by China's political, economic and legal development. This uncertainty may to some extent affect the company's operations and investors' investment.

There are some differences between China's economic environment and those in most developed countries, including the economic structure, the degree of government intervention, the degree of urban and rural development, the economic growth rate, the degree of capital investment, capital investment regulations, exchange controls and local resource allocation. Before 1978, China operated under a centrally planned economic system, and all production and economic activities in the territory of China are controlled under the economic goals of the central government's five-year plan and annual plan. Since 1978, the Chinese government has opened up foreign investment and allowed the implementation of economic reforms, and gradually changes from a planned economy to a market-oriented economy. These reforms contributed to China's economic growth over the past two decades. However, there is no precedent for the reforms and economic policies taken by the Chinese government which are experimental in nature, and may result in unpredictable results and unexpected adverse effects on enterprises with significant operating activities in China, including the company.

As China's economy grows rapidly, there is an imbalance in the various geographic regions. A rapid economic growth may cause a money supply growth and accelerate inflation. If the company's product prices fail to respond to market changes with a timely adjustment, the cost will likely go up and the gross profit and sales will decline, which may adversely affect the company's business. To control inflation, the Chinese government has controlled bank credit, set upper limits on fixed-asset loans and the state-owned banks' loans. The implementation of these policies may result in future economic slowdown and may adversely affect the company's business, financial condition and

operations results.

Although the legal system of China has been developing, it is still not complete. Even China has enough legal norms; there are still uncertainty and exceptions in the enforcement of the existing regulations or contracts. It may therefore be difficult to achieve a quick and fair enforcement of a decision, especially a decision of a court under another jurisdiction. The Chinese legal system is based on statute laws and their interpretations, and court precedents may also be cited for reference, but the binding force is limited. Because China's judicial system has less experience in many cases, litigation results may be uncertain. In addition, the interpretation of laws and regulations may be subject to government policies, and reflects the domestic political change. Based on the development of China's legal system, changes in the laws or regulations in the future may adversely affect the company's business, operating results, financial conditions and prospects.

B. Foreign exchange control, tax and related law risks

(A) Foreign exchange control

Since 1978, China's foreign exchange management system has been gradually adjusted from a highly centralized plan and management to market management. Since 1994, China has carried out the reform of its foreign exchange management system, and the market mechanism further played its role. The first change was to realize the unification of exchange rates and implement a market supply and demand based, single and managed floating exchange rate system. The second was to implement the foreign exchange settlement system of banks to gradually realize the convertibility of CNY through regular foreign exchange applications. Finally, the interbank foreign exchange market was established to improve the exchange rate mechanism and maintain a rational and relatively stable exchange rate of CNY. The exchange rate of CNY depends on the change of Chinese politics, and international politics and the economic environment. Since July 21, 2005 China adopted a floating exchange rate policy, the CNY exchange rate was formally detached from US dollar and pegged to a basket of currencies, and the fluctuation of CNY exchange rate by a small margin is allowed. However, to retain the country's export competitiveness, the mainland government strongly suppressed the appreciation of CNY and caused the CNY exchange rate to be undervalued. International powers led by Europe and the United States continue to put pressure on the Chinese government and believe that China should adopt a more floating monetary policy, which may cause the CNY to appreciate against US dollar. The change in the CNY exchange rate against US dollar may result in an uncertainty on the cash flow, earnings performance, earnings distribution as well as financial condition. The company's functional currency is mainly CNY, and the currency used for inventory and sales is mainly CNY. Therefore, the change of CNY exchange rate against US dollar will not cause an uncertainty on the company's cash flow, earnings performance, earnings distribution and financial condition.

(B) Corporate income tax and value added tax

According to China's "Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprise" which was applicable before Jan. 1, 2008, for enterprises with foreign investment and foreign enterprises set up in China (hereinafter referred to as "foreign enterprises"), the income tax rates applicable are 30% enterprise income tax and 3% local income tax which are also applicable to state and local enterprises. The Chinese government provides a variety of preferential policies to foreign enterprises and companies which meet specific standards, including tax exemption, reduction of tax rates, tax returns and other policies. Under the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprise (hereinafter referred to as the "China Income Tax Law") and its detailed rules for implementation, the income tax rate of foreign enterprises set up in special economic zones or enterprises with foreign investment set up in economic and technological development zones should be reduced to 15%. For production-oriented enterprises with foreign investment which have an operating period of more than ten years, starting from the first profit-making year, they are exempt from corporate income tax in the first and the second year, and from the third to the fifth year the corporate income tax is halved (hereinafter referred to as the "two exemptions and three halves").

Also on Mar. 16, 2007, China promulgated the "People's Republic of China Enterprise Income Tax Law", and on Dec. 6, 2007 promulgated the "Implementation Rules of People's Republic of China Enterprise Income Tax Law". The new law has come into force on Jan. 1, 2008. Under the new tax law, all enterprises (including foreign enterprises) are subject to a unified income tax rate of 25%, and certain preferential taxes, relieves and protection measures in current regulations for foreign enterprises will be canceled. Regarding the preferential corporate income tax currently enjoyed by foreign enterprises, it will gradually increase to 25% after the new enterprise income tax law is implemented for five years. However, the new tax law allows foreign enterprises in the manufacturing sector to be exempt from the new tax law after the five years and continue to enjoy tax incentives.

On VAT, units and individuals who sell goods, provide processing, repair and replacement services, or import goods in mainland China are VAT taxpayers, and the tax rate is between 0%~17%, but the tax rate is zero for export. In addition, according to China's new enterprise income tax law and its implementation rules which came into effect on Jan. 1, 2008, for enterprises which are set up outside of mainland China but the "actual management institution" is located in China, they shall be deemed "resident enterprises", and "resident enterprises" shall pay a 25% corporate income tax for the income with sources in both mainland China and overseas.

According to the new tax law, since Jan. 1, 2008, a non-resident enterprise which does not set up an institution or a place of business within the territory of China, or has an agency or a place of business but the income is not related to its agency or place of business, shall pay a 10% withholding tax for its

various passive income with sources in mainland China (such as dividends) (5% for income under the tax treaty with the Hong Kong Special Administrative Region).

(C) Labor Contract Law

In Jan. 1, 2008, China began the implementation of the new Labor Contract Law the purpose of which is labor protection and a clear specification of the rights and interests of both employers and employees. The Labor Contract Law provides that once an enterprise hires an employee (including in the probation period), then within a month from the date of employment both parties shall sign a written labor contract. If a written labor contract is not signed for more than a month but less than a year from the date of employment, the employer shall pay double the monthly salary to the employee. If a written labor contract is not signed for more than a year from the date of employment, it is deemed that a labor contract without a fixed term is signed between the employer and the employee. After the employment relationship ends, in certain cases in conformity with the provisions of the Labor Contract Law, the employer should pay economic compensation. However, if the employer offers an equal or better condition for contract renewal but is rejected by the employee, the employer may be exempt from paying economic compensation.

The compensation shall be based on the employee's seniority, but the specific period determined by the local government before 2008 is not included. In general, for every year of service the employee is entitled to a monthly salary as compensation, and any period less than six months shall be deemed a year. An employee is entitled to compensation of half a month's salary for working less than six months. If there is not a written employment contract, but the arbitration judgment or ruling finds that in fact there is an employment relationship for more than one month but less than one year, then the employer shall pay double the monthly salary, and pay the employee compensation in accordance with the method above before the expiration and termination of the employment relationship.

The implementation of the Labor Contract Law has caused a substantial increase in the labor cost. It has clear definitions of the labor contract enactment, severance pay, mass layoff of labor, manpower dispatch and non-competition. Nevertheless, the company is not in a labor intensive industry and the staff in the Chinese market is mostly sales and management personnel, and in recent years the company has increased the salaries of many Chinese employees in response to the change of the human resource market. Besides, the company has been working toward providing employees with a good working environment and welfare in order to effectively retain competent staff. Therefore, the implementation of the Labor Contract Law on Jan. 1, 2008 has only a limited impact on the company, but in the future any law changes within the territory of China may have an impact on the operations of the company.

(D) The particularity of land property

There is no private ownership of land in China. Except that owned by the country by law, the land within the territory of China belongs to the collective ownership of the working people. According to the basic law enacted by the National People's Congress on the unified adjustment of urban real estate or the "People's Republic of China Urban Real Estate Management Law" (hereinafter referred to as the "Real Estate Management Law"), the main bodies of China's land ownership are specific, which include the country's and collective ownership. Land ownership correspondingly is divided into state owned land and collectively owned land, and the country may requisition collective land according to law.

According to the provisions of the "Real Estate Management Law" and the "Commodity Housing Rental Management Approach" promulgated on Dec. 1, 2010 and implemented on Feb. 1, 2011, the rental parties shall sign a written lease contract, and a registration system is implemented for rental housing. According to the relevant provisions of the "People's Republic of China Contract Law" and the Supreme People's Court's "Explanations to Some Questions Regarding the Applicability of People's Republic of China Contract Law (1)", the laws and administrative regulations require that contracts shall go through the registration formalities, but for contracts which registrations are not explicitly required in order to take effect, the contract validity is not be affected if the party involved fails to go through the formalities of registration; the title to the subject matter of the contract and other property ownership cannot be transferred. In view of the "Real Estate Management Law", the "Commodity Housing Rental Management Approach" and other relevant laws, the administrative regulations do not require that lease contracts shall come into effect after registration, and therefore the validity of a lease without registration is not affected.

(E) Social insurance and housing accumulation fund

① Social insurance

According to the social insurance related regulations, the types of social insurance include the basic endowment insurance, basic medical insurance, unemployment insurance, maternity insurance and industrial injury insurance, and the collection and payment scope include state-owned enterprises, urban collective enterprises, foreign-invested enterprises, urban private enterprises and other urban enterprises and their employees, and business units which implement enterprises management and their employees.

"Provisional Regulations on Collection and Payment of Social Insurance Premiums" provides that employing units should pay social insurance for their employees since Jan. 22, 1999. However, as China's social insurance system is still in a process of gradual establishment and improvement, there is a huge difference in the actual situation of various areas. Therefore, various provinces and cities formulated their own social insurance collection and payment regulations after taking into account

their actual situation and in compliance with the "Provisional Regulations on Collection and Payment of Social Insurance Premiums" in order to realize the territorial management of social insurance.

The company's important subsidiaries in China, including Chlitina (China) Trade Limited and Weishuo (Shanghai) Daily Product Limited, follow Shanghai's local regulations on tax payment and there are no arrears.

Regarding the company's payment and deduction of various social insurance premiums for and on behalf of its employees in accordance with the relevant laws, regulations and local policies, the basis of the social insurance premiums and the rates are in line with the provisions of the relevant laws and administrative regulations, and there is no need for supplemental payments and there has been no penalties imposed. Chlitina (China) Trade Limited and Weishuo (Shanghai) Commodity Co., Ltd. have no major illegal or poor record in labor and social insurance, and there had been no major labor dispute or employee strike or administrative punishment by the competent authorities of labor and social insurance.

② Housing provident fund

According to the provisions of "Housing Provident Fund Management Regulations", a newly established unit shall go through the formalities for registration of housing provident fund deposit at the Housing Provident Fund Management Center within 30 days after the date of the establishment, and within 20 days of the registration carry the approval document from the Housing Provident Fund Management Center to the entrusted bank to open a housing provident fund account for employees of the unit.

The "Housing Provident Fund Management Regulations" has been promulgated and implemented since Apr. 3, 1999, and the provisions require that an employing unit should pay the housing provident fund for employees. However, as the housing provident fund system was still in a process of gradual establishment and improvement, various provinces and cities formulated their own housing provident fund collection and payment regulations after taking into account their actual situation and in compliance with the "Housing Provident Fund Management Regulations", in order to realize the territorial management of housing provident fund.

The company's important subsidiaries in China, including Chlitina (China) Trade Limited and Weishuo (Shanghai) Daily Product Limited, have opened housing provident fund accounts and make the provident fund payment for employees according to the law, and are not in violation of the requirements in the laws of the state and Shanghai City on the management of the housing provident fund and there is no contention or dispute with employees due to housing provident fund

(F) Environmental protection

The company's production base is located in mainland China, and the mainland Chinese subsidiary Weishuo is responsible for manufacturing and production. Therefore the company must comply with China's various environmental regulations. Weishuo obtained an environmental assessment report at the time of establishment, and passed the inspection and acceptance by the local environmental protection authority. As the discharge amount of sewage generated in the production process in the factory which Weishuo leases from Chlitina (China) has not yet met the regulatory standard, currently Weishuo discharges sewage through the water treatment equipment of Chlitina (China) after a

physicochemical and biochemical treatment, and Chlitina (China) has obtained a drainage license. Regarding waste treatment, Weishuo has signed a contract with a qualified waste treatment firm for a regular treatment. Although the company has endeavored to comply with applicable environmental regulations, China's central and local governments may amend environmental regulations and implement more or more stringent environmental standards and regulations. Abiding by relevant laws and regulations may generate a huge cost to the company, but the company may not be able to pass on the cost to customers. If the company fails to comply with or is alleged to violate the environmental protection laws and regulations, it may suffer fines or undertaking of other environmental responsibilities which may adversely affect the company's reputation. If the Chinese government changes the current environmental protection regulations, it may also cause the company to increase spending on environmental protection.

As of the publishing of the company's annual report, the company did not have any adverse environmental protection violation records, and will continue to comply with relevant laws and regulations of environmental protection.

(G) The company's subsidiaries in mainland China are under the supervision and jurisdiction of the Chinese government agencies, including but not limited to the commerce departments, industry and commerce departments, the foreign exchange control departments, the environmental protection departments, the safety supervision departments and the drug regulatory authorities. The governmental supervising departments above have the right to promulgate and (or) implement laws and regulations relating to the production and operation of the company's subsidiaries in mainland China. The production and operation of the company's subsidiaries in mainland China need to obtain approvals and permits from governmental supervising departments. If the company's subsidiaries in mainland China do not obtain all sorts of approvals and permits from governmental supervising departments or continue to hold them, the subsidiaries in mainland China may be penalized with fines, business termination or limited business. The occurrence of any of the above will affect the company's production and operation. The company will continue to closely observe and understand the Chinese government's policy trends and regulatory changes, and endeavor to follow them.

(H) Dividend distribution

Because the company is a holding company, the ability to pay dividends depends on the profits of the subsidiaries and their distributions, and the distribution method and amount determined by the board of directors. Therefore, in the future dividend distribution will depend on factors such as the operating performance, financial condition and cash requirement of the group as a whole and applicable laws and regulations. For example, according to the laws of the People's Republic of China, a subsidiary in China can only allocate and pay dividends from its net income, and the net income amount is determined based on the retained earnings calculated according to China's generally accepted accounting principles and its relevant financial regulations, which are different from the international financial reporting standards.

In addition, according to the relevant laws and regulations in China, for a profit distribution, a subsidiary shall first appropriate at least 10% of the annual after-tax net profit as legal surplus (as a legal reserve for dividend distribution; however, no further appropriation is required when the

reserves accumulated amount to 50% of the company's registered capital), and then a 10% withholding income tax shall be paid if a subsidiary in mainland China pays dividends when the company remits out capital. Therefore, it may reduce the company's dividend distribution capacity.

C. Whether a civil decision of the court of the Republic of China is recognized

According to the "Provisions of the Supreme People's Court Regarding the Recognition of the Civil Court Decisions in the Taiwan District" and the "Supplemental Provisions of the Supreme People's Court Regarding the Recognition of the Civil Court Decisions in the Taiwan District" announced and implemented by China's Supreme People's Court, for a civil court decision made in the Taiwan district, if the domicile, habitual residence or affected property of the party affected by the decision is located in the other province, autonomous regions or municipalities directly under the central government in China, the party affected by the decision may within two years of the decision's validity apply with the people's court for recognition, or may file an application for property preservation. After the people's court recognizes the civil court decision made in a Taiwan district, the decision bears the same effect as one of the people's court. Although the judicial authorities of China and Taiwan judiciary have not signed mutual legal assistance agreements or other similar agreements, according to the relevant provisions of the Chinese judicial organizations and the judicial assistance agreement signed by the competent authorities across the Taiwan Strait, Chinese lawyers think that based on the principle of reciprocity and not violating the related laws and regulations, public order and good customs, China may recognize and execute a civil court or arbitration decision made in the Taiwan district. If the Chinese court does not acknowledge a court decision of the Republic of China (Taiwan), the decision cannot be executed even if the investor obtains the decision in the Republic of China (Taiwan). Therefore, investors may encounter the risk of an unsuccessful claim outside of Taiwan, and investors should understand the risk associated with the securities law when purchasing foreign issued securities.

2. In recent years and up to the date of the publishing of the annual report, the impact of interest rate and exchange rate changes and inflation on the company's profit and loss and future coping measures:

(1) Interest rate

The company's interest rate risk is mainly from bank borrowings, which put the company under the cash flow's interest rate risk and market price interest rate risk. The interest income is from the interest on bank deposits, and the interest expenditure is mainly the cost of borrowing from banks. The company's interest income in 2014, 2015 and 2016 is NTD47,687 thousand, NTD35,906 thousand and NTD30,943 thousand respectively, accounting for 1.55%, 0.82% and 0.92% of the net operating revenue. The interest expenditure is NTD16,025 thousand, NTD1,421 thousand and NTD17,244 thousand respectively, accounting for 0.52%, 0.03% and 0.51% of the net operating revenue, and the above percentages are not high. Therefore, the impact of interest rate changes on the operation of

the company is still limited.

Countermeasure :

The company has always been maintaining good relations with banks. Besides, the company has financial soundness and a good credit, and can obtain a better interest rate. It is expected that future changes in interest rates should not have a significant impact on the overall operation of the company. In addition, the company constantly pays attention to changes in interest rates and takes appropriate measures to reduce the impact of interest rate changes on the company's profit and loss.

(2) Exchange rate

The company was listed on the Taiwan Stock Exchange on Nov. 27, 2013. Due to change of economic environment, according to BOD resolution, the functional currency is changed from USD to NTD.

Furthermore, the company's main operating entities are all located in mainland China and use CNY for daily operations, and basically the purchase and sales are also carried out in CNY. There was an exchange profit of NTD2,155 thousand in 2014, and an exchange loss of NTD 21,822 thousand and NTD21,876 thousand in 2014, 2015 and 2016 respectively, which accounts for -0.25%, -1.59% and -2.18% of the current operating profit respectively, and the effect is low.

Currently the risks of exchange rate fluctuations of the company's main operating entities are the revenue and purchase in the non-functional currency, the intellectual property company's royalty income transacted in USD, and the subsidiaries' purchase from Taiwan carried out in USD. However, the amount of revenue and payment only accounts for a small proportion of the company's cash flow, and the corresponding exchange rate risk is low. In addition, the foreign currency exchange rate used is the rate determined by the People's Bank of China according to supply and demand, and as CNY is not freely convertible, the remittance of funds to the territories outside mainland China are subject to the exchange controls by the Chinese government.

Coping measures:

- ① Continue to strengthen the financial personnel's exchange hedging concept; use the real-time exchange rate system on the internet to and through more frequent contacts with financial institutions in order to judge the trend of exchange rates as a reference for foreign exchange settlement.
- ② Maintain close contact with principal bankers and be ready to monitor the changes in the foreign exchange market, in order for related managers to fully grasp the changing trend of the exchange rate and make timely adjustments if there are incidental changes in the currency used for collection and payment of money.
- ③ Use the same currency of sales revenue to pay procurement and related expenses wherever possible to achieve an automatic hedging effect.

(3) Inflation

In recent years the European debt detonated a global financial crisis. Because the Mediterranean countries are high in debt, and the EU high-level management handles the European debt issue in a slow pace, concerns about the default on the national debts are increasing. This results in the abnormal soaring of these countries' government bond yields and significantly increases the financing difficulty, making the formation of a credit squeeze and a system risk of a lack of market liquidity likely. In order to solve the economic dilemma, many countries have put forward economic revitalization programs, leading to the expansion of budget deficits in these countries, and causing concerns about inflation.

To summarize the above, in the rapid changes of the overall economic environment, the company has not faced any immediate impact because of inflation or deflation mentioned above. Besides, the end users of the company's products are the general public. The company will constantly pay attention to changes in the regional economy and price fluctuations of raw materials and terminal products, and maintain a good interactive relationship with suppliers and consumers. The company in the face of the global economic environment changes will also adjust the marketing strategy and the cost structure in order to withstand the impact caused by the overall economic environment change such as inflation or deflation, and prevent the company from any significant impact.

4. In recent years and up to the date of the publishing of the annual report, the company's policies and the main reasons for the profit or loss in high risk and high leverage investments, loans to others, endorsements, guarantees and derivative transactions and its future coping measures:

(1) The company's policy and main reasons for the profit or loss in high risk and high leverage investments and its future coping measures

The company based on a principle of stability and a pragmatic business philosophy, has not engaged in high risk, high leverage investment other than paying attention to its main business. The financial policy is based on a moderate and conservative principle, and all investments are executed after careful assessments.

(2) The company's policy and main reasons for the profit or loss in loans to others and its future coping measures:

The company has in place a "Management Approach for Loans to Others" which is passed by the board of directors and serves as the basis for compliance by the company and its subsidiaries in the related business. Up to the date of the publishing of the annual report, the company's loans to others have been operated according to laws and regulations and announced, and there is no loan to companies other than its merged companies. Overall, it has no significant impact on the profit or loss in the consolidated financial statements.

(3) The company's policy and main reasons for the profit or loss in endorsements and guarantees and its future coping measures:

The company has in place a "Management Approach for Endorsements and Guarantees" which is passed by the board of directors and serves as the basis for compliance by the company and its subsidiaries in the related business. Up to the date of the publishing of the annual report, there is no endorsement and guarantee between company's merged companies or no endorsement and guarantee for other companies except the company's merged companies. Overall, it has no significant impact on the profit or loss in the consolidated financial statements.

(4) The company's policy and main reasons for the profit or loss in derivative transactions and its future coping measures:

Up to the date of the publishing of the annual report, the company and its merged companies have not engaged in derivative transactions. In the future, the company will depend on the operating condition regularly assess related hedging strategies, and process in accordance with the provisions of "Procedures for Acquisition or Disposal of Assets".

5. In recent years and up to the date of the publishing of the annual report, the company's future R&D plan and expected R&D expenses

Due to the rise of the Asian emerging markets which drives a revolution in global cosmetics, the trend has shifted and increased from a simple focus on skin maintenance requirements for Europeans and Americans to the R&D and promotion of functional products for whitening, sunscreen, anti-aging and anti-oxidation in order to create more opportunities for the beauty and skin care market in Asia. Taking the vast Chinese market as an example, in order to meet the diverse skin care needs of consumers, cosmetics in the Chinese market will face strict product line segments and be divided into general customers' "home care" products and "professional skin care" products for use in skin care beauty salons through the introduction of high-tech professional instruments for deep skin care.

As the company is a well-known beauty chain store with its brand products, on product research and development it is committed to meeting diversified customer needs and satisfying the vast customers:

(1) Future R&D projects

For the company's future R&D projects, please refer to the "R&D of new products" of "V. Operations status".

(2) R&D expenses expected into the future

The company's R&D expenses in 2014, 2015 and 2016 was NTD 14,967 thousand, NTD 17,729 thousand, and NTD9,379 thousand respectively, accounting for 0.49%, 0.40% and 0.28% of the annual revenue. The company's main R&D center is Taiwan Branch, Chlitina Marketing Ltd., which has a factory in Songjiang, Shanghai with R&D personnel for technology transfer and process improvement.

There is also a R&D center in France with French R&D consultants responsible for the provision of new product information about beauty and skin care products in advanced countries in Europe. At present the company's R&D direction is in professional beauty products, personal skin care products, aromatherapy and spa products. With the expansion of the R&D scale in the future, it is expected that the annual R&D expenses will account for about 1% of the revenue in 2017.

6. In the last year and up to the date of the publishing of the annual report, the impact of changes in important domestic and foreign policies and laws on the company's financial operations, and its coping measures

The company's registered domicile is in the Cayman Islands, and the main operations are in mainland China. The Cayman Islands is a place with financial services as the main economic activity, with an open economy and no foreign exchange control. China is now one of the world's major economies. Though its economy is increasingly open, outward capital remittance is still subject to the foreign exchange control of the Chinese government. Therefore, if in the future the Chinese government changes the policy, taxation, economic status or interest rate policy, or there is an occurrence of any political, diplomatic or social events, it may have an impact on the company's business. The company's various businesses are in compliance with important domestic and foreign policies and laws, and the company constantly pays attention to the change of important policy trends and law changes in order to respond to the market environment changes in time and take appropriate countermeasures.

7. In the last year and up to the date of the publishing of the annual report, the impact of changes in technology and industry on the company's financial operations, and its coping measures

With the rapid modernization of science and technology, in addition to keeping abreast of the market and technology trend, the company also conducts researches on all kinds of raw materials and skin care products to develop the most suitable products for the weather and skin and body care in Asia, and provide the best quality products and services to consumers in order to expand the market share and firmly grasp the changes in the industrial environment. In the last year and up to the date of the publishing of the annual report, the company has no major technological change and there has been no change in the industry, which may cause a significant impact on the financial status.

8. In the last year and up to the date of the publishing of the annual report, the impact of corporate image change on corporate crisis management, and its coping measures

Adhering to a robust and pragmatic spirit of enterprise management, since its inception the company has been actively strengthening its internal management and improving quality and efficiency, and there has been no change of corporate image which triggered corporate crisis management. If the future if there is a corporate image change which impacts the company's corporate crisis management capabilities, the company will not be able to immediately react to the

economic or market changes, and it will thus have an adverse effect on the company's operations.

The company will be more committed to the maintenance of corporate governance, the adherence of operation transparency, the cultivation of the management team's strength, and then return the operating results to the shareholders and fulfill the corporate social responsibility in order to strengthen its corporate image.

9. In the last year and up to the date of the publishing of the annual report, the expected benefits of mergers and acquisitions, the risks and coping measures

In the last year and up to the date of the publishing of the annual report, the company has not made any acquisitions.

10. In the last year and up to the date of the publishing of the annual report, the expected benefits of factory expansion, the risks and coping measures

The company has no factory expansion plan in the last year and up to the date of the publishing of the annual report.

11. In the last year and up to the date of the publishing of the annual report, the risks of concentration of purchasing and sales, and coping measures

(1) Risk of Purchasing Concentration

The main raw materials produced by the company include chemical raw materials, semi-finished products and packaging materials, and there are many suppliers. In order to maintain the negotiation flexibility of the raw material prices while ensuring the sources of raw materials, the group signed a one-year supply contract with a small number of suppliers and maintains several suppliers for the main raw materials, and maintains good long-term relations of cooperation with suppliers to ensure the stability of sources of supply.

In 2012, the group underwent a restructuring. After the integration of production processes, the proportion of purchase from each supplier is controlled below 10%. In addition, because since 2015, all the purchase has been carried out by the company's operating base in Taiwan directly with Charming Biotech Corporation, resulting in a 13.11% net purchase weighting from Charming Biotech Corporation in 2015. From 2014 onwards, Weishuo has been providing product processing services for Kelti China. The increase in the orders of Kelti China results in a rise in the purchase of Weishuo's purchase amount of corresponding semi-finished products and packaging materials. This is because company A has products with superior quality and reasonable prices, and is a long-term partner of the company, so the company purchases part of semi-finished products and packaging materials from it. In 2015 the net purchase weighting from company A reached 24.04%, and 13.29 % in 2016. The net purchase weighting from the rest of the suppliers is below 10%, so the company does not have the risk of purchase concentration.

(2) Sales concentration risk

The company's main business model is to provide professional beauty and skin care services and product sales through the chain business system, so the top ten sales customers were mostly the company's franchise stores in 2015 and 2016. In recent years, the expansion of the company's a number of franchise stores has contributed to the company's steady performance growth, and increased and diversified the company's sales customers. Therefore, the sales to single customers accounted for less than 5% of the company's net sales in 2016.

In 2015 and 2016, because the company provided product processing services for Kelti China and charged trademark, the net sales amount to Kelti China reached 28.85% and 12.99%. In addition, the net sales amount to other customers was below 5%. Therefore the company does not have a sales concentration risk. In addition, the net sales amount to other customers was below 5%. Therefore the company does not have a sales concentration risk.

12. In the last year and up to the date of the publishing of the annual report, the impact of volume transfer or change of shares by its directors, supervisors or major shareholders holding more than 10% of the shares to the company, the risks, and its coping measures

The company is an investment holding company set up in the Cayman Islands on July 3, 2012. Since the establishment, there has been no volume transfer or change of shares by its directors, supervisors or major shareholders holding more than 10% of the shares.

13. In the last year and up to the date of the publishing of the annual report, the impact of the change of management right to the company, the risks, and its coping measures

In the last year and up to the date of the publishing of the annual report, the company has no change of management right. The company has strengthened its management measures and introduced independent directors in order to enhance the overall protection of the interests of shareholders. Besides, most of the company's day-to-day operations rely on professional managers, and the current strong team of professional managers has made a considerable contribution to the company's business performance and should receive the shareholders' continuing support in the future. Therefore, if the management right changes, it should not have a significant negative impact on the company's management and operational advantages.

14. Litigations or non-litigations

(1) Regarding the company's determined or ongoing litigations, non litigations or administrative lawsuits in recent years and up to the date of the publishing of the annual report, the results may have a significant impact on shareholders' equity or securities price, and the facts of the issues in dispute, subject amounts, litigation start dates, main parties involved in the litigant and current status, which should be disclosed in accordance with an agreement, are given in the following table.

No.	Group Company	Counterparties	The disputed facts and the suit amount	Progress / case closure circumstances
1	Chlitina (China)Trade Limited	Plaintiff: Shanghai Shunlei Electronics Commerce Company Limited Defendant: Chlitina (China)Trade Limited	Because of 'Lynx Proxy Operations Cooperation Agreement,' 'Lynx Proxy Operations Cooperation Agreement Supplementary Agreement (new stores)' service fee, Shanghai Shunlei Electronics Commerce Company Limited filed a lawsuit against the company for failing make timely and full payment for service costs, requesting that counterclaimant pay fees, commissions and assume liability for breach for a total of 491,000 RMB). After several unsuccessful negotiations, the Company filed a counterclaim to the court for the other party failing to complete construction on time and requesting a refund of part of the Lynx mall store operation and service fees paid.	A counterclaim for this case has currently been filed to the Shanghai Changning The case has been closed on Nov. 1, 2016 with verdict. Both parties bore liabilities for breach of contract. After counteracting, the Company shall paid the counter party for 164,978.79(RMB)
2	Chlitina (China)Trade Limited	Plaintiff: Meng Qian Defendant: Chlitina (China)Trade Limited	The plaintiff, Meng Qian broght an action on Franchise store of Chlitina (China)Trade Limited for using her photos as propaganda of advertising, which has infringed portraiture right and right of fame	The case has been dropped by the Plaintiff in May,2016

(2) Company directors, supervisors, president, actual responsible persons, and major shareholders and

subordinate company holding in excess of ten percent of Company shares, during the last two years and up to the date of publication of the letter of explanation or those currently in litigation, non-litigation or administrative contentious events, whose results may have a significant impact on shareholders' equity or securities prices, should reveal the facts of their disputes, the subject amount, date when litigation began, the main parties involved and the current state of proceedings: none.

15. Other Significant Risks and Response Measures for the Most Recent Year and up to the Annual Report's Date of Publication:

(1) Risk of Damage to the Brand Image:

As a cosmetics skin care chain brand directly facing a vast market of consumers, brand image is crucial to the company. However, as the Company continues to operate and expand, there is a risk of its products on the market being faked or being subject to malicious attacks, which would affect the Company's brand image and interests, having a definite degree of negative impact on the Company. If rights such as the Company's brand image are violated, or its reputation suffers malicious slander, the Company elects to perform maintenance in accordance with legal means, which may possibly use up a certain amount of The Company's financial power, material power and human power, and thus adversely affect the normal operations of the Company. The Company's Chlitina brand is a well-known trademark in China which has won positive acclaim, which may increase the criminal liability of counterfeiters, highlighting the government's attention to maintenance of the Chlitina brand, and thus helping reduce the risk of product counterfeiting and damage to the brand image.

(2) Risk of Movement of Professional Beauticians

Professional beauticians are the mainstay of beauty salons. Training and education generally takes about two years to complete, but due to the annual turnover ratio for the industry as a whole being too high, this has led to uneven quality in the professionalism of beauticians. Also, the intensity of market competition, can easily cause substantial movement of professional beauticians.

(3) Risks Arising from Chain Store Management

The advantages of franchise stores lie in the speed of brand penetration, and relatively low barriers to entry, while their disadvantage is a stronger sense of dependence on the company headquarters and having concern that operations and sales of the franchise itself are slack, the difficulty in management increases slightly. To effectively manage the Company's many chain stores spread throughout China at all city levels, in addition to using each branch company to manage each province or major region, including supervision of inspections and approvals, local training, and promotional guidance, to improve granular access control over the many franchise stores, and establish sound and complete system specifications, upon joining, franchisee owners must sign contracts with the Company, which include industry competition prohibition conditions. Also, through unscheduled visits to stores and evaluation of store performance, etc., the Company actively controls franchise stores

around the country, to prevent cut-throat competitions and other violations, in order to maintain the Company's reputation and competitiveness. Although the Company has established a sound management system and is committed to franchise control, there are still bad franchise stores in the chain system, which are further not amenable to discipline and improvement, and, this will likely have an adverse impact on the Company's goodwill and reputation.

(4) Risk of Price Fluctuations Affecting Operating Costs

As Chlitina products boast natural plant extracts and essences, the main raw materials include rose, herb pollen, seabed algae, vitamins, amino acids and various rare plants. The diverse characteristics of their places of origin make obtaining raw materials vulnerable to the impacts of climate, which affects the cost of production. Also, packaging materials include paper packaging, plastic packaging, glass packaging and other packaging materials whose costs are also affected by fluctuations in crude oil prices, which affect the purchase price.

(5) Risk of Leakage of Raw Material Formulas

Production of the Company's main products is carried out using unique formulas of raw materials, while the core technologies are acquired through repeated scientific experiments and research and long-term production practices. The Company's core technical personnel are in control of part of confidential formulas. Although the Company has carried out stringent raw material formula protection measures, if competitors or other third parties were to obtain the Company's exclusive formulas and develop or produce similar products, this may have a certain degree of impact on the Company's financial state and operating conditions. However, in peoples' choice of skin care products cosmetic brand, reliability is still the most important consideration. Even if the functions and raw materials and two products are virtually identical, because brand reliability is different, consumers will still choose the branded products which they trust in their hearts, which relatively lowers the risk of unilateral raw material formula leakage.

(6) Risks to Shareholders' Equity Safeguards

There are many different provisions in the Company Act of the Cayman Islands and that of the ROC. Although the Company has amended its Articles of Incorporation in accordance with the provisions of the Taiwan Stock Exchange's 'Reference Model for Important Matters of Shareholders' Rights and Interests Protection', there are still many differences in the legal requirements of the two places with respect to company operations. Investors cannot view investing in a Cayman-registered company from the viewpoint of the legal rights applicable to investors investing a Taiwan company, applying these rights mechanically to investing in the Caymans. Investors should ensure they have a thorough understanding and consult with experts on whether or not investments in a Cayman Islands company would provide them with safeguards to shareholder equity.

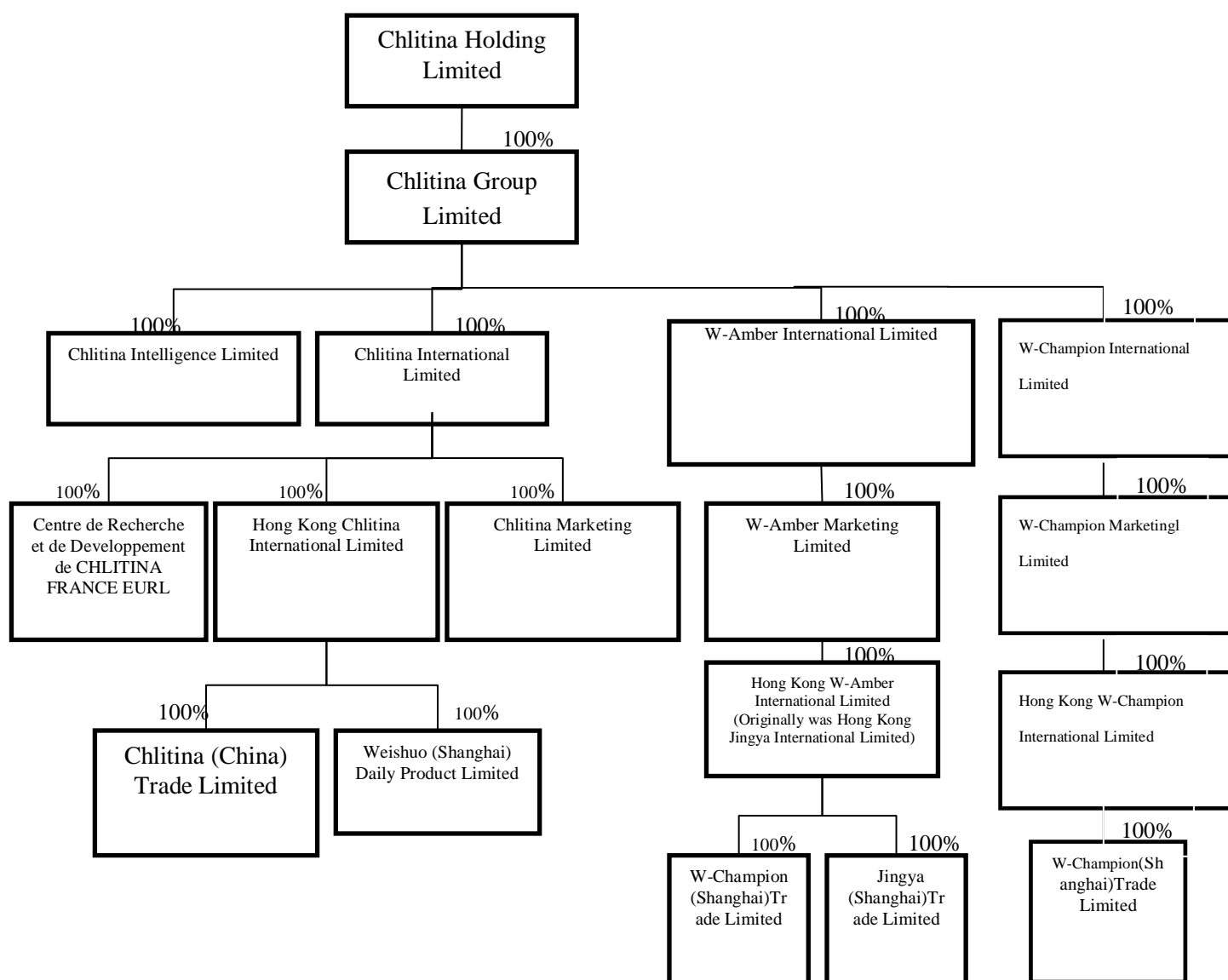
vii. Other important matters: None

VIII. Special notes

i. Information of Affiliated companies

1. Organization chart of Affiliated Companies

Dec. 31, 2016



Note: Chlitina Intelligence Limited, Chlitina Marketing Limited, Chlitina (China) Trade Limited all have subsidiaries, which were numerous and not listed in the chart. Please see the company message at the beginning of the document.

2. The relationship to the affiliates, rate of holding share, shares and actual investment amount

Dec. 31, 2016

Name of Affiliated Companies	Relationship to this Company	This company holding			The affiliated companies holding this company		
		Rate of holding share	Number of Shares(shares)	Invested amount (NTD)(Note)	Rate of holding share	Number of Shares(shares)	Invested amount (NTD)
Chlitina Group Limited	Subsidiary	100%	3,206,707,348	USD32,067,073	-	-	-
Chlitina International Limited	Second-tier subsidiary	100%	17,000,001	USD17,000,001	-	-	-
Chlitina Intelligence Limited	Second-tier subsidiary	100%	1	USD1	-	-	-
W-Amber International Limited	Second-tier subsidiary	100%	12,000,000	USD12,000,000			
W-Champion International Limited	Second-tier subsidiary	100%	3,000,000	USD3,000,000			
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	third-tier subsidiary	100%	500	EUR5,000	-	-	-
Hong Kong Chlitina International Limited	third-tier subsidiary	100%	62,150,001	HKD62,150,001	-	-	-
Chlitina Marketing Limited	third-tier subsidiary	100%	11,622,882	USD11,622,882	-	-	-
W-Amber Marketing Limited	third-tier subsidiary	100%	12,000,000	USD12,000,000	-	-	-
W-Champion Marketing Limited	third-tier subsidiary	100%	3,000,000	USD3,000,000			
Chlitina (China) Trade Limited	Fourth-tier subsidiary	100%	Limited companies, so no shares and	USD8,570,000	-	-	-

Name of Affiliated Companies	Relationship to this Company	This company holding			The affiliated companies holding this company		
		Rate of holding share	Number of Shares(shares)	Invested amount (NTD)(Note)	Rate of holding share	Number of Shares(shares)	Invested amount (NTD)
			par value				
Weishuo (Shanghai) Daily Product Limited	Fourth-tier subsidiary	100%	92,800,000	USD2,150,000	-	-	-
Hong Kong W- Amber International Limited (Changed from "Hong Kong Crystal Asia International Limited")	Fourth-tier subsidiary	100%	92,800,000	HKD92,800,000			
Hong Kong W-Champion International Limited	Fourth-tier subsidiary	100%	2,950,000	USD2,950,000			
Jingya (shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, so no shares and par value	USD200,000			
W-Amber(Shanghai)Trade Limited	Fifth-tier subsidiary	100%	Limited companies, so no shares and par value	USD 8,000,000			
W-Champion (Shanghai) Trade Limited	Fifth-tier subsidiary	100%	Limited companies, so no shares and par value	USD 2,000,000	-	-	-

Note : Actual paid-in capital

The main businesses of the Company and its Subsidiaries and Branches are as follows:

(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 holding companies.
- (3) Chlitina Intelligence Limited is an investment holding and intellectual property holding company.
- (4) The main items of operation of the Centre de Recherche et de Developpement de Chlitina France Eurl. are research and development of cosmetic skincare products.
- (5) Hong Kong Chlitina International Limited is an investment holding company, whose main items of operation are the marketing of cosmetic skincare products.
- (6) Chlitina Marketing Limited is an investment holding, cosmetic skincare product marketing, and R & D company.
- (7) W-Amber Marketing Limited and W-Champion Marketing Limited are holding companies
- (8) The main items of operation of Chlitina (China) Trade Limited are the sale of cosmetic skincare products.
- (9) The main items of operation of W-Amber (Shanghai) Daily Product Limited are the production and sale of cosmetic skin care products.
- (10) Hong Kong W-Amber International Limited and Hong Kong W-Champion International Limited are holding companies
- (11) The main items of operation of W-Amber (Shanghai) Trade Limited are investment holding, sale of cosmetic skin care products and health food products.
- (12) The main items of operation of Jingya (shanghai) Trade Limited are sales of cosmetic skin care products
- (13) The main items of operation of W-Champion (Shanghai) Trade Limited are sale of cosmetic skin care products and health food products.

According to Article 369- 3 of the Company Act's stipulation of affiliates and subsidiaries: In accordance with the above affiliate enterprise organization chart, all affiliates of the Company are the Company's subsidiaries.

3. Information on directors, supervisors and president of respective affiliated enterprises:

Dec. 31, 2016

Name	Title	Name or representative	Holding share	
			Number of Shares (Shares)	Rate of holding share %
Chlitina Group Limited	Director	Chen, Pi-Hua	3,656,707,348	100.00
Chlitina International Limited	Director	Chen, Pi-Hua	17,000,001	100.00
W-Amber International	Director	Chen, Pi-Hua	12,000,000	100.00

Name	Title	Name or representative	Holding share	
			Number of Shares (Shares)	Rate of holding share %
Limited				
W-Champion International Limited	Director	Chen, Pi-Hua	3,000,000	100.00
Chlitina Intelligence Limited	Director	Chen, Pi-Hua	1	100.00
Hong Kong Chlitina International Limited	Director	Chen, Pi-Hua	62,150,001	100.00
Centre de Recherche et de Developpement de CHLITINA FRANCE EURL	Director	Chen, Pi-Hua	500	100.00
Chlitina Marketing Limited	Director	Chen, Pi-Hua	11,622,882	100.00
W-Amber Marketing Limited	Director	Chen, Pi-Hua	12,000,000	100.00
W-Champion Marketing Limited	Director	Chen, Pi-Hua	3,000,000	100.00
Chlitina (China) Trade Limited	Director, President, Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
W-Amber (Shanghai) Daily Product Limited	Director, President, Supervisor	Chen, Pi-Hua Chen, Le-Wei	Note	100.00
Hong Kong W-Amber International Limited (Changed from "Hong Kong Crystal Asia International Limited")	Director	Chen, Pi-Hua	92,800,000	100.00
Hong Kong W-Champion International Limited	Director	Chen, Pi-Hua	2,950,000	100.00
W-Amber(Shanghai)Trade Limited	Executive Director	Chen, Pi-Hua	Note	
Jingya (Shanghai) Trade Limited	Executive Director	Chen, Pi-Hua	Note	100.00
W-Champion (Shanghai) Trade Limited	Executive Director	Chen, Pi-Hua	Note	100.00

Note: It has been established in the type of limited company without issuance of shares.

4. Operating status of respective affiliated enterprises

Dec. 31, 2016

Re-investment enterprise	Main scope	Invested cost (note 1)	Invested shares		Net value of equity: thousand dollars	Market price (note 3)	Handling manner of accounting	2016 Return on investment		The amount of shares held by the Company
			Number of Shares (shares)	Equity ratio %				Invested profit/loss: thousand dollars	Dividend distribution: thousand dollars	
Chlitina Group Limited	Investment holdings	USD 36,567,073	3,656,707,348	100.00	4,129,145	-	Equity Method	808,213	USD18,750 Thousand	None
Chlitina International Limited	Investment holdings	USD 17,000,001	17,000,001	100.00	3,239,740	-	Equity Method	558,849	USD4,750 Thousand	None
Chlitina Intelligence Limited	Investment holding and Company holding Intellectual property right	USD 1	1	100.00	319,626	-	Equity Method	271,069	USD14,000 Thousand	None
W-Amber International Limited	Investment holdings	USD 12,000,000	12,000,000	100.00	355,846	-	Equity Method	(5,690)	-	None
W-Champion International Limited	Investment holdings	USD 3,000,000	3,000,000	100.00	70,469	-	Equity Method	(14,208)	-	None
Centre de Recherche et de Développement de CHLITINA FRANCE EURL	R&D of beauty skin care products	EUR 5,000	500	100.00	-	-	Equity Method	-	-	None

Re-investment enterprise	Main scope	Invested cost (note 1)	Invested shares		Net value of equity: thousand dollars	Market price (note 3)	Handling manner of accounting	2016 Return on investment		The amount of shares held by the Company
			Number of Shares (shares)	Equity ratio %				Invested profit/loss: thousand dollars	Dividend distribution: thousand dollars	
Hong Kong Chlitina International Limited	Investment holding and sales of beauty skin care products	HKD 62,150,001	62,150,001	100.00	3,032,293	-	Equity Method	596,974	USD4,750 Thousand	None
Chlitina Marketing Limited	investment holdings, skin care product sales, and health food products and R&D	USD 11,622,882	11,622,882	100.00	175,571	-	Equity Method	(37,839)	-	None
W-Amber Marketing Limited	Investment holdings	USD 12,000,000	12,000,000	100.00	355,680	-	Equity Method	(5,588)	-	None
W-Champion Marketing Limited	Investment holdings	USD 3,000,000	3,000,000	100.00	70,469	-	Equity Method	(14,208)	-	None
Chlitina (China) Trade Limited	Sales of beauty skin care products	USD 8,570,000	Note 2	100.00	1,915,150	-	Equity Method	396,940	-	None
Weishuo (Shanghai) Daily Product Limited	Sales and production of beauty skin care products	USD 2,150,000	Note 2	100.00	1,099,206	-	Equity Method	228,581	-	None

Re-investment enterprise	Main scope	Invested cost (note 1)	Invested shares		Net value of equity: thousand dollars	Market price (note 3)	Handling manner of accounting	2016 Return on investment		The amount of shares held by the Company
			Number of Shares (shares)	Equity ratio %				Invested profit/loss: thousand dollars	Dividend distribution: thousand dollars	
Hong Kong W-Amber International Limited (Originally was by "Hong Kong Crystal Asia International Limited")	Investment holdings	HKD 92,800,000	92,800,000	100.00	353,164	-	Equity Method	(5,579)	-	None
Hong Kong W-Champion International Limited	Investment holding	USD 2,950,000	2,950,000	100.00	69,048	-		(14,072)	-	None
Jingya (Shanghai) Trade Limited	Product and sales of beauty skin care product	USD 200,000	Note 2	100.00	6,385	-		349	-	None
W-Amber(Shanghai)Trade Limited	Investment holdings , Sales of skin care products, and health food products	USD 8,000,000	Note 2	100.00	226,215	-	Equity Method	(5,826)	-	None

Re-investment enterprise	Main scope	Invested cost (note 1)	Invested shares		Net value of equity: thousand dollars	Market price (note 3)	Handling manner of accounting	2016 Return on investment		The amount of shares held by the Company
			Number of Shares (shares)	Equity ratio %				Invested profit/loss: thousand dollars	Dividend distribution: thousand dollars	
W-Champion (Shanghai) Trade Limited	Sales of skin care products, and health food products	USD 2,000,000	Note 2	100.00	38,580	-	Equity Method	(14,034)	-	None

Note 1: It is expressed according to the paid-in capital.

Note 2: It has been established in the type of limited company without issuance of shares.

Note 3: Given that the held shares do not trade in the open market, no market price is available to refer to.

ii. Private placement of securities in the latest year (2016) and as of the date of printing of the annual report: None

iii. Subsidiary's holding or disposal of the Company's stock in the latest year (2016) and the date of printing of the annual report: None

iv. Other matters which need additional clarification: explanation of the significant differences with the ROC provisions for shareholder equity safeguards.

As there are slight inconsistencies between Cayman law and ROC law, the 'Foreign Issuer Place of Registration Shareholders Equity Protection Matters Inspection Table' (hereinafter referred to as 'Shareholder Equity Protection Matters') issued by the Taiwan Stock Exchange Corporation can naturally not be applied to this company. The following table explains where the Articles of Incorporation of the Company differ with respect to protection of shareholders' equity due to provisions of Cayman law, and the provisions of the Company's Articles of Incorporation.

Items of Difference	Explanation of Cayman Law	Provisions of the Articles of Incorporation and Explanations
<p>'Special resolution' refers to resolutions made by a majority of shareholders with right to vote when shareholders representing more than two thirds of the total number of the Company's issued shares are in attendance. For companies with public offering, when the total number of shares of shareholders in attendance does not meet the aforementioned determined amount, they may instead adopt the method of having shareholders representing more than half of the total number of the Company's issued shares being in attendance, of which a majority of more than two-thirds is required to pass resolution.</p>	<p>The Cayman Islands Company Act provides that 'special resolution' refers to resolutions reached through the voting rights of shareholders in attendance with 'consent of more than two-thirds', and the legally stipulated number of shareholders in attendance at a shareholders' meeting is the number of shareholders in attendance able to represent half of issued shares.</p>	<ol style="list-style-type: none"> 1. According to the explanation in the letter dated Apr. 13, 2010 ref. Tai-Cheng-Shang No. 0991701319 of the Taiwan Stock Exchange, regarding the percentage of attendance and voting on issues which substantially impact major shareholders' equity, it may be "attendance by shareholders representing over behalf of the total number of shares issued, and agreement by over two thirds of the attending shareholders" to meet the requirements of both the Cayman regulations and the ROC's Company Act concerning the percentage of attendance and voting for a public company's special resolution. 2. Articles 31 and 2(1) of the company's Articles of Incorporation stipulate that a "special resolution" refers a resolution in a shareholders' meeting attended by shareholders representing over behalf of the total number of shares issued with voting rights, and agreed by over two thirds of the attending shareholders. This is in line with requirements of both the Cayman regulations

Items of Difference	Explanation of Cayman Law	Provisions of the Articles of Incorporation and Explanations
		and the country's Company Act concerning the percentage of voting for a public company's special resolution.
<ol style="list-style-type: none"> 1. When a company reduces capital without resolution of a shareholders meeting, the company may not annul its shares; reduction of its capital should be in reduced in proportion to shares held by shareholders. 2. When a company reduces capital, monies may be refunded in forms other than cash; the property returned and offset amount shall be approved by a shareholders' meeting, and receive the consent of the shareholders. 3. The value of the property of the preceding paragraph and the offset amount, should be sent to an ROC CPA for document inspection by the board of directors before the shareholders' meeting. 	<p>According to the provisions of Article 14 - 18 of the Company Act of the Cayman Islands, with respect to capital reduction involving force, reduction of company capital is subject to agreement of a special resolution of a shareholders meetings, and should be approved a capital- reduction order issued by the Cayman Islands Court as well.</p>	<p>Because the Company Act of the Cayman Islands has strict regulations on the capital reduction of a company and the relevant regulations are compulsory and can be avoided only by changes to the Articles of Incorporation. As confirmed by the Cayman Islands lawyer, the change to Article 18-1 of the company's Articles of Incorporation meets the requirement in the provisions in the leftmost column by stating that shareholders buy back shares based on their respective shareholding percentages and have the shares bought back cancelled, which in essence is the same as the provisions.</p>
<p>If shareholders convene a shareholders' meeting outside the territory of the Republic of China, within two days of a board of director's resolution or obtaining permission to convene from the competent authority, this should be submitted to the stock exchange for consent.</p>	<p>Cayman Islands Company Act does not require shareholders' meetings to be held within the territory of the Cayman Islands.</p>	<p>Article 25 of the Articles of Incorporation of the company stipulates that "during the listing period, the shareholders' meetings of the company shall be held in the territory of the Republic of China (Taiwan) " without exception. Therefore it is not required to otherwise establish provisions for "shareholders' meetings held outside the Republic of China (Taiwan) ".</p>

Items of Difference	Explanation of Cayman Law	Provisions of the Articles of Incorporation and Explanations
<p>Those shareholders who continue for more than a year to hold more than three percent of the total shares issued, may note proposals and their reasons in writing, requesting that the board of directors convene an extraordinary meeting of shareholders. Within 15 days of the request being made, when the board of directors has not issued notification for convening, shareholders may report to the competent authority for approval and self-convene the meeting.</p>	<p>There is no local competent authority in the Cayman Islands to approve the convening of shareholders' meetings.</p>	<p>According to the explanation in the letter dated Apr. 13, 2010 ref. Tai-Cheng-Shang No. 0991701319 of the Taiwan Stock Exchange, under circumstances that foreign issuers contradicts the laws and regulations in the registered domiciles, the parts concerning the minority shareholders' right to convene an extraordinary meeting and the permission of the competent authority in charge as prescribed in the Articles of Incorporation, can be deleted. Article 26 of the Articles of Incorporation of the company stipulates that shareholders who continue holding over 3% of the company's total shares for more than a year may propose in writing, with the proposed matters and reasons clearly stated, may request the board of directors to convene an extraordinary meeting. If the board of directors does not send a convening notice within fifteen days after receiving the request, the requesting shareholders may convene a shareholders' meeting on their own. Article 26 of the Articles of Incorporation previously mentioned already meets the provisions of the leftmost column by stating that if the board of directors does not follow the written request to send a convening notice, the requesting shareholders may convene</p>

Items of Difference	Explanation of Cayman Law	Provisions of the Articles of Incorporation and Explanations
		a shareholders' meeting on their own without a permission of the competent authority in charge.
<p>When a company exercises voting rights in writing or by electronic means, the method of such exercise shall be clearly stipulated in shareholders meeting convening notifications. Shareholders who exercise their voting rights in writing or by electronic means shall be deemed as having attended the shareholders' meeting. However, with respect to extempore motions of the shareholders' meeting and amendments to original motions, these shall be deemed as abstained from.</p>	<p>Company Act of the Cayman Islands provides that exercising the right to vote is carried out in one of two ways, personally, or by proxy. Cayman lawyers believe that exercise of voting rights in writing or by electronic means is different from attending in person as prescribed in the Company Act of the Cayman Islands, and, should not be directly set as 'deemed to be attending a shareholders' meeting in person' and should be deemed as having already assigned the shareholders meeting chairperson as their agent.</p>	<p>Article 46 of the Articles of Incorporation stipulates that a shareholder who exercises the voting right in written or electronic form shall be deemed as designating the chairperson of the shareholders' meeting as the agent; however, this assignment should not be considered a proxy as defined in listing (OTC) regulations. There should be no substantive difference between the effects of the two.</p>
<p>If after shareholders exercise their voting rights in writing or by electronic means, they wish to attend a shareholders' meeting in person, they should two days prior to the shareholders' meeting, through the same method of exercising voting rights, revoke the intention to exercise the voting rights in the way as stated in the preceding paragraph; for overdue revocations, voting rights exercised through writing or by electronic means shall prevail.</p>	<p>Company Act of the Cayman Islands provides that exercising the right to vote is carried out in one of two ways, personally or by proxy.</p>	<p>The latter of paragraph (2) of Article 47 of the Articles of Incorporation stipulates that if a shareholder does not make a withdrawal before the deadline and personally attends the shareholders' meeting, in principle the shareholder still has the right to personally attend the shareholders' meeting to exercise the right to vote, and the shareholder's appointment of the chairperson as the agent is deemed withdrawn. The exception is that the withdrawal notice before the meeting is irrevocable based on attached interest or other reasons under the Cayman act. The effects of the two are slightly different on the withdrawal before the deadline, but there should be no substantive difference on</p>

Items of Difference	Explanation of Cayman Law	Provisions of the Articles of Incorporation and Explanations
		the protection of shareholder interests.
<p>The relevant provisions of the 'Rules for Public Companies Using Proxies to Attend Shareholders' Meeting', such as delegating a soliciting person, soliciting method, soliciting public notices and restrictions, etc.</p>	<p>According to the explanations of Cayman Islands' lawyers, Cayman Islands law does not have a concept the equivalent of soliciting power of attorney.</p>	<p>According to the explanation in the letter dated Apr. 13, 2010 ref. Tai-Cheng-Shang No. 0991701319 of the Taiwan Stock Exchange, foreign issuers are allowed to stipulate in the Articles of Incorporation general provisions that the country's "Rules for the Use of Proxy for a Public Company's Shareholders' Meeting" applies. Therefore, Article 57 of the Articles of Incorporation stipulates that the use and soliciting of proxy should comply with the Cayman law and listing (OTC) regulations, especially following "Rules for the Use of Proxy for a Public Company's Shareholders' Meeting", which is in line with the requirement in the leftmost column.</p>
<p>After a power of attorney has been sent to a company, the shareholders wishing to attend a shareholders' meeting in person, or wishing to exercise their right to vote in writing or by electronic means, should send the company a power-of-attorney revocation notice in writing two days prior to the shareholders' meeting; for overdue revocations, voting rights exercised through attendance of proxy shall prevail.</p>	<p>Company Act of the Cayman Islands provides that exercising the right to vote is carried out in one of two ways, personally or by proxy.</p>	<p>The latter of Article 53 of the Articles of Incorporation stipulates that if a shareholder does not make a withdrawal before the deadline and personally attends the shareholders' meeting, in principle the shareholder still has the right to personally attend the shareholders' meeting to exercise the right to vote, and the shareholder's appointment of the chairperson as the agent is deemed withdrawn. The exception is</p>

Items of Difference	Explanation of Cayman Law	Provisions of the Articles of Incorporation and Explanations
		that the withdrawal notice before the meeting is irrevocable based on attached interest or other reasons under the Cayman Act. The effects of the two are slightly different on the withdrawal before the deadline, but there should be no substantive difference on the protection of shareholder equity.
Companies should choose to assign an Audit Committee or supervisor/s. The auditing committee shall be composed entirely of independent directors, whose number not less than three, one of whom should be the convener, and at least one of whom shall have accounting or financial expertise. Resolutions of the Audit Committee should require the consent of more than half of the total membership of the auditing committee.	Company Act of the Cayman Islands does not require a company to appoint a supervisor or an auditing committee.	Articles 85 (1) and 85 (2) of the company's Articles of Incorporation stipulate that during the listing period, the company shall set up an Audit Committee. In the case of setting up an internal Audit Committee, the Audit Committee shall be composed of all independent directors and shall have no less than three persons; one of them shall be a convener, and at least one shall have an accounting or financial background. The company has not set up the supervisor role, but during the listing period Audit Committee is already set up in accordance with the requirement above, and this is in line with the requirement in the leftmost column.

IX. Any matters covered in Subparagraph 2 of Paragraph 2 of Article 36 of the Securities and Exchange Act occurred in the latest year and as of the date of printing of the annual report, which significantly impacted shareholders' equity and price of securities shall be explained: None

Chlitina Holding Limited

Chairperson: Chen, Pi-Hua