

Stock Code 6666

LUO LIH-FEN HOLDING CO., LTD.



2019 Annual Report

1986-2020



Company Website: <http://www.luolihfen.com>
Market Observation Post System: <http://mops.twse.com.tw>
Date of Publication: April 30, 2020

For the convenience of readers and for information purpose only, 2019 Annual Report of Luo Lih-Fen Holding Co., Ltd. have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language report shall prevail.

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(III) Hong Kong Subsidiary

Name: Luo Lih-Fen Group Limited Tel: (86)596-6269-880
Address: Flat/Rm A20/F, Kiu Fu Commercial Bldg, 300 Lockhart Road, WanChai, Hong Kong.

(IV) China Subsidiaries

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Name: Huiwenli (Fujian) Enterprise Management Co., Ltd. Tel: (86)596-6269-880
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Name: Zhangzhou Healthy Skin Clinic Co., Ltd. Tel: (86)596-6269-880
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Name: Chih-Fu Wang Tel: (86)596-6269-880#6827
Title: President Special Assistant Email: luke.wang@jiawenli.com

VI. Name of the trading place where the overseas securities are listed for trading and the method to inquire about the overseas securities information: None.

VII. Company Website: www.luolihfen.com

VIII. Board of Directors List

Identity Status	Name	Nationality	Main Education Background
Chairman	Black Praise International Limited	Hong Kong	—
	Representative: Lih-Fen Luo	R.O.C.	Bachelors, Hong Kong Chinese Medicine Research Institute Hong Kong Chinese Medicine Physician, General Practitioner Director-general of Chinese International Beauty Association The 3rd Chairman of the China International Leaders Association of the ILF Foundation
Director	Talent Reach (HK) Limited	Hong Kong	—
	Representative: Huan-Wen Jao	R.O.C.	Bachelors of Electronic Engineering, National Defense University Chung Cheng Institute of Technology CEO of the Chinese International Beauty Association Vice President China Daily Chemical Industry Technology Innovation Alliance
Director	Shih-Chinn Ho	R.O.C.	Masters of Management, National Taiwan University Master of Financial Management, Golden Gate University Director of Land Transport Co., Ltd. Vice Chairman of Trade-Van Information Services Co.
Director	Li-Chen Lin	R.O.C.	Master of Business Administration, Tulane University Bachelor of Law, National Taipei University Attorney in Charge of PCL TransAsia Law Offices Director of Central Motion Picture Co.
Independent Director	Hsiao-Ling Chou	R.O.C.	Master of Finance, National Taiwan University Department of International Business, Feng Chia University Director and President of Yuanta Futures Co., Ltd. Vice President of OCBC Bank
Independent Director	Yu-Che Wang	R.O.C.	Ph.D. in Business Education, University of Missouri-Columbia Master of Business Administration, University of Massachusetts Dartmouth, USA Researcher, National Policy Foundation Consultant, Hsinchu City Government
Independent Director	Yin-Chieh Hsu	R.O.C.	Master of Accounting, College of Management, National Taiwan University EMBA Bachelor of Law, National Taipei University Attorney in Charge of HC & Partners Honorary Attorney-at-Law, Small and Medium Enterprise Administration, MOEA Consultant of Changhua County Government Legal Support

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One. Letter to Shareholders

First, I would like to thank all shareholders for their unyielding support of Luo Lih-Fen Holding Co., Ltd. (hereafter the “Company”) for the past year allowing the Company to operate and grow smoothly this year (2019). The Company had a bountiful year this year (2019). I would like to present the 2019 operating results and the 2020 business plan summary reports as follows:

I. 2019 Operating Results

(I) Results of Enforcement of the Business Plans

In 2019, the Company's consolidated operating revenue reached NT\$1,445,695 thousand, growing by 6.44% over the NT\$1,358,184 thousand for the consolidated operating revenue in 2018. The 2019 net profit after tax reached NT\$497,740 thousand, growing by 15.42% over the net profit after tax in 2018, NT\$431,247 thousand.

In terms of target markets, the operating revenue earned in Mainland China came to NT\$1,440,498 thousand, accounting for 99.64% of the total operating revenue. To put it in more understandable terms, Mainland China remains the largest market and the highlighted stronghold for the Company.

(II) Analyses on Financial Revenues and Expenditures and Profitability

In terms of financial revenue and expenditures and financial structure, in 2019, the Company showed the debt ratio of 15.82%, current ratio of 499.92%, with net profitability of 34.43%, and cash inflow in operating activities amounting to NT\$17,497 thousand. These figures endorse that the Company has adequate cash flows and a sound financial structure.

(III) Performance in Research and Development

The Company's main product research and development is carried out in two aspects, namely independent R&D plans and market customers' expectations or needs for the effects of skin care products.

Following the decryption of 25,000 human genes, including those related to skin and aging, skin care will inevitably enter the genetic age, and by inhibiting or facilitating gene expression profiles, improve skin condition and delay skin aging. The Company invests funds in the genetic testing equipment and instrument, including 2nd-generation high-throughput genome sequencing machine, et al., and also enroll professionals to engage in researching the genetic technology. The current topics under research primarily include the following:

1. Research the state of microecology on the skin surface of the human beings with different skin conditions under genome sequencing method;
2. Research the effect to skin and aging-related genes produced by the plant-based ingredients, at the level of molecular-regulation signal pathways.

Collaborative projects with domestic leading academic and research institutions:

In June 2019, the Company executed two research projects with Hungkuang University, namely the “Project for Development and Industrial Application of Cosmetics and Skin Care Products Based on Taiwan Hibiscus” and “Research Project for Development and Industrial Application of Raw Materials Based on Dihydromyricetin”, as the existing R&D orientation, to further develop the preparation and application of plant-based raw materials.

In December 2019, the Company executed the Agreement for “Industry-Academia Cooperation for Stem Cell Polypeptide Anti-Aging Obstetrics” with Tzu Chi (Hualien Tzu Chi Medical Center). The Company holds its own brand and experience in development and management of channel-related markets. Upon receipt of the technology license from Tzu Chi, the Company will complete the commercialization and launch of the products in the market promptly, tied with the “customization” service, in order to launch into the new age for precision skin, beauty and health care services. In the future, Tzu Chi will help plan and establish the GTP laboratories for the Company, including application for protocols, planning of laboratories, and establishment of quality systems in Taiwan, in order to help the Company engage in the application and research related to the mesenchymal stem cell (MSC).

(IV) Budget Implementation Status

The Company did not disclose a financial forecast, but the overall budget implementation is in line with the scope set by the Company.

II. Operating Plan Summary for 2020

(I) Business Policy

“WE Way to Exceed Embrace New Life Mutual Support”

By establishing the new retail, new brand, new membership system, new resource From the establishment of new retail, new brands, new membership systems, new resource cooperation, and new promotion, i.e. from 1 to 100, the Company has kept seeking more resources, platforms and effective approaches based on these “new” strategies, to help “us” pursue the overall goals for quality, wisdom, survival, and growth. After, as a whole, “we”

are like partners on the same ship.

(II) Sales Volume Forecast and Supporting Basis

In 2020, we shall closely team up with upstream and downstream partners for firm implementation of key strategies: "Product Specialization", "Lifelong Users", "Team Expertization", "Scene Diversity", and "Marketing Institutionalization". Pursuant to the respective market shares held by the Company's brands, we shall accomplish the targets of growth, Including:

1. Three major facial brands: GLINGLUO, SUNLILY and DRAISE

All of them refer to the most matured brands of the Company. As affected by the Sino-US Trade War and the decline in the real estate market and outbreak of COVID-19 in the mainland China, the force to drive the growth of consumption in the mainland China became sluggish. Notwithstanding, the Company still defines its growth strategies and implements the same strictly to seek continuous development of its beauty care business.

2. Health brand: QIECOME

A gene technology-based health care brand has been launched in Q2 of 2019. Meanwhile, the solicitation for five to eight provincial-level distributors and dealers were also completed at the end of that year.

3. High-end brand: LIRUOYA

The emerging "Customization" health medical and beauty care brand owned by the Company, upon integration of the stem cell research and application technology of Tzu Chi Hospital with the Company's frontier professional skin care aesthetics, as supported by advanced instruments and based on authoritative experts, with the wise and ingenious spirit in research and craftsmanship demonstrating luxury through detailed works, and by providing the ultimate experience beyond expectation, is dedicated to serving high-end beauty care lovers, creating exquisite and perfect looks and demonstrating the glowering characteristics owned by the female unknowingly.

4. New retail brand: EasyBio

In the recent years, the development of cosmetics has started to be oriented toward young images, technology and intelligence. Accordingly, the Company also starts to transform itself. The new retail brand, "EasyBio", was launched in December 2019. Its online channels include the brand malls, such as Tmall and JD.Com, while the offline stores include 4,000 beauty salons and physical stores recruited under the expansion plan (each physical store corresponds to some online mall) to complete the entire circle for online and offline sales and experience. Meanwhile, it is also promoted via social media APPs, including celebrities, social media influencers' live streaming, Weibo, TikTok, Xiaohongshu, and TouTiao.

III. The Company's Future Development Strategy

The Company will establish the "Luo Lih-Fen Ecosystem", namely the "Co-construction of Ecological Environment" + "New Retail" + "Website Marketing" strategies, to link products, expertise and customers, from manufacturers to terminals and then to customers, to form the recycling system for sales growth, and based on big data, portray the consumer groups, control the two aspects (namely, online and offline consumption) through the entire process of product life cycle management, from consumer awareness, understanding, purchase, use, after-sale until repurchase. Upgrade each retail cycle, optimize each possible consumption timing, and drive faster sales growth.

IV. Impacts from the External Competition, Legal Environment, and Overall Business

Environment:

(1) Impacts from the External Competition and the Overall Business Environment:

The GDP growth rate in China is 6.1%, of which the added value of the tertiary industry accounts for 53.9% of GDP and its contribution rate to economic growth is 59.4%. The economic structure has been further optimized, the basic role of consumption has been further enhanced, and final consumption has accounted for 57.8% of economic growth for the whole year. In 2019, the Chinese government has continued to increase ecological environment management and environmental protection efforts, and actively promoted the coordination of sustainable economic and environmental resources development. Green development and ecological civilization construction will continue to be one of the key policies in the next few years. As the income growth of residents has outpaced economic growth, and annual per capita disposable income of national residents has increased by 8.9% compared to that of the previous year. After deducting the price factor, the actual growth rate is 5.8%. Among the enterprise products with retail prices above a certain level, the growth rate of the cosmetics category was 9.6%, which exceeded the growth rate of total social consumer goods. The growth rate is on the rise.

According to the statistics of the China National Bureau of Statistics on retail sales of consumer goods for the whole year of 2019, the total retail sales of consumer goods in 2019 reached RMB41,164.9 billion, with the yoy by 8.0%, of which the total retail sales of cosmetics was RMB 299.2 billion, an increase by 12.6% over 2018. Because people tend to improve their quality of life and the "hotness", cosmetics has been the main growth part of

social consumer goods in retail projects. From 2015 to 2019, the total retail sales of cosmetics in China ranged from RMB204.9 billion to 299.2 billion, with an average annual growth rate of 9.2%. The overall performance of cosmetics in the Chinese market in recent years is higher than the average growth rate of social consumer goods. According to the cosmetics retail sales trend for the recent years, the statistics from the market research institution, Intelligence Research Group, forecast that the cosmetics retail market scale will reach RMB444.6 billion in 2022. Given this, both local and foreign brands are working hard to invest more than hundreds of billion dollars to the cosmetics market in mainland China. In the recent years, a dozen of tangible or online brands have been emerging one by one. Both local brands and foreign brands are actively investing in China's booming market of cosmetics. In recent years, there are many emerging entities. Or the rise of online brands. In a decentralized competitive market, premium brands have a strong market appeal and more opportunities for market integration. Meanwhile, franchisee's operations are directly affected by the macroeconomic environment and consumer disposable income. The orientation of urbanization and mass entrepreneurship will promote the geographical depth and breadth of store establishment. The development of e-commerce is conducive to transcending geographical restrictions and expanding consumer groups, which will bring more development opportunities to the Company. The transformation and upgrading of traditional industries and the combination of online and offline marketing methods have further highlighted the Company's competitive advantages in terms of its unique products and services combination as well as the development advantages created by the cross-border e-commerce of the collection of premium brands.

(II) Regulatory Environment Impacts

China has established the "Hygienic Specification for Cosmetics," "Regulations on Hygiene Supervision of Cosmetics," "Detailed Rules for the Implementation of the Regulations on Hygiene Supervision of Cosmetics," "Regulations on the Administration of Production Licenses for Industrial Products," "Domestic Non-special Use Cosmetics Record Management Measures", "Regulations on the Management of Cosmetic Labels", "Inspecting Rules for Cosmetics", and "Rules on the Implementation of Cosmetics Registration and Recordkeeping for Inspection" with respect to the production of beauty care and skin care products. Therefore, enterprises are allowed to engage in production and sale of beauty care and skin care products in the mainland China upon receipt of multiple legal and valid licenses and permits. Obtaining relevant licenses in accordance with the laws and regulations has a significant impact on the business operations of the Company. However, as of the date of publication of the Annual Report, there is no business or operating license or permit that the Company has been unable to obtain.

Finally, I would like to extend my sincere gratitude to all shareholders for their support and encouragement to the Company. The colleagues of the Company will continue to seek the best interests of shareholders in return for their continual affirmation and support. I would like to extend my highest regards to all of the shareholders and wish you all the best.

Luo Lih-Fen Holding Co., Ltd.

Chairman: Li-Fen Luo



General Manager: Huan-Wen Jao



Chief Accountant: Xiu-Qiong Zhang



Two. Company Introduction

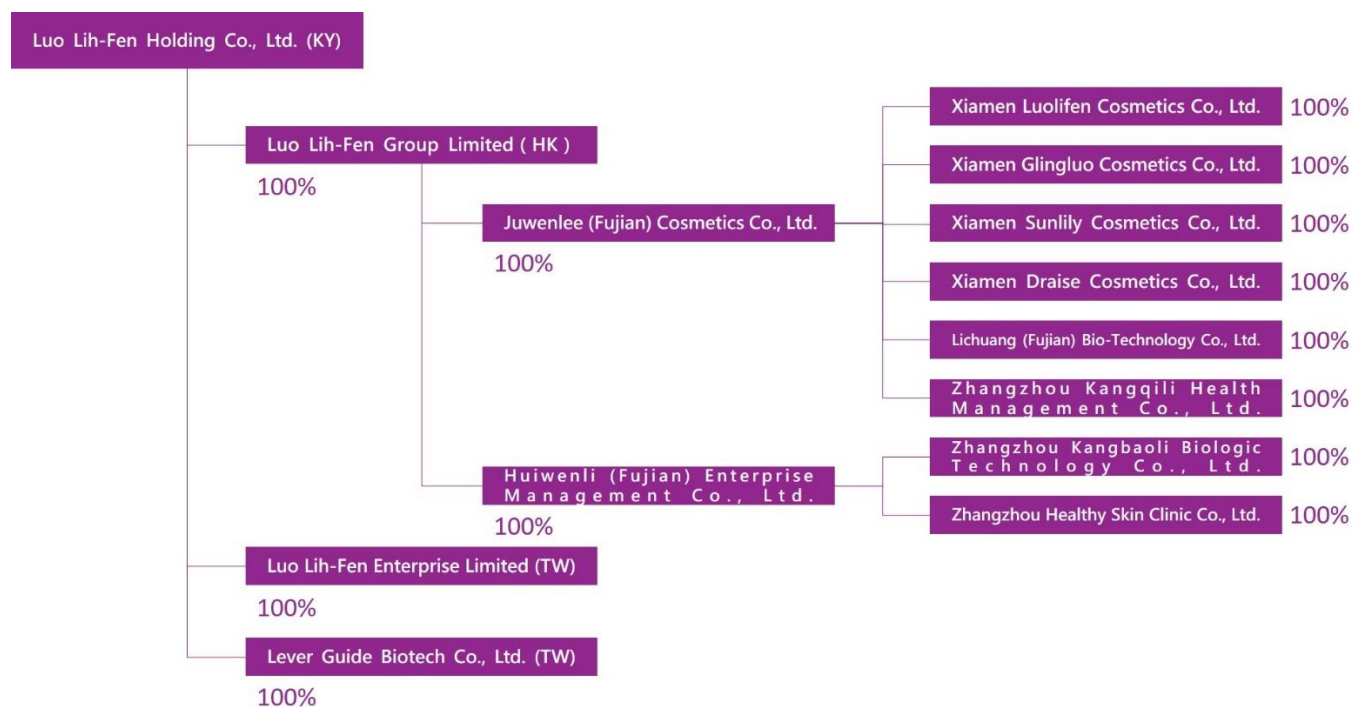
I. Date of Establishment

September 21, 2016

II. Company and Group History

YEAR	IMPORTANT EVENTS
2002	Established XIAMEN JUWENLEE COSMETICS CO., LTD.
2004	Founded the “GLINGLUO “ Brand
2006	Name changed to JUWENLEE (FUJIAN) COSMETICS CO., LTD.
2008	Founded the “SUNLILY” Brand
2009	Partnered with Eastern Liaoning University to sponsor and establish the Luo Lih-Fen Health Management Image Institute.
2013	Invention patent for a method used to continuously extract the active constituents of Taiwan hibiscus via supercritical carbon dioxide.
2014	Zhangzhou Economic and Trade Commission promulgated the “ Zhangzhou Enterprise Technology Innovation Center”.
2015	“LUO LIH FEN” won the Fujian Famous Trademark honor.
2016	“SUNLILY” won the Fujian Famous Trademark honor.
	Founded the “DRAISE” Brand
	Won the “Zhangzhou Municipal College Graduate Employment Apprentice Base” from the Zhangzhou Human Resources and Social Security Bureau
	Established Luo Lih-Fen Holding Co., Ltd.in Cayman
2017	Awarded the “Fujian Province Special Expertise New SME (Specialization)” by the Fujian Provincial Economic and Information Commission.
	The “DRAISE” Brand won the excellent functional product award issued by the Fujian Daily Chemicals Association.
2018	Established Luo Lih-Fen Holding Co., Ltd.
	2018 Fujian Province Industrial and Information High Growth Enterprise.
	2018 9th Batch Zhangzhou Intellectual Property Pilot Unit.
	Established a joint laboratory with the China Daily-Use Chemistry Industry Academy for professional line cosmetic evaluation.
	Signed an endorsement agreement with artist Ms. Christy Chung.
	Listed on the Taiwan Stock Exchange on November 19, 2018.
2019	Founded Lever Guide Biotech Co., Ltd. and Huiwenli (Fujian) Enterprise Management Co., Ltd.
	The testing center received the CNAS Laboratory Certification.
	Executed the Agreement for “Industry-Academia Cooperation for Stem Cell Polypeptide Anti-Aging Obstetrics” with Hualien Tzu Chi Medical Center
	Honored as the “National High-tech Enterprise” in the mainland China
	Founded the “QIECOME” Brand and “EasyBio” Brand
2020	Activated the factory premises and production line expansion projects

III. Group Structure



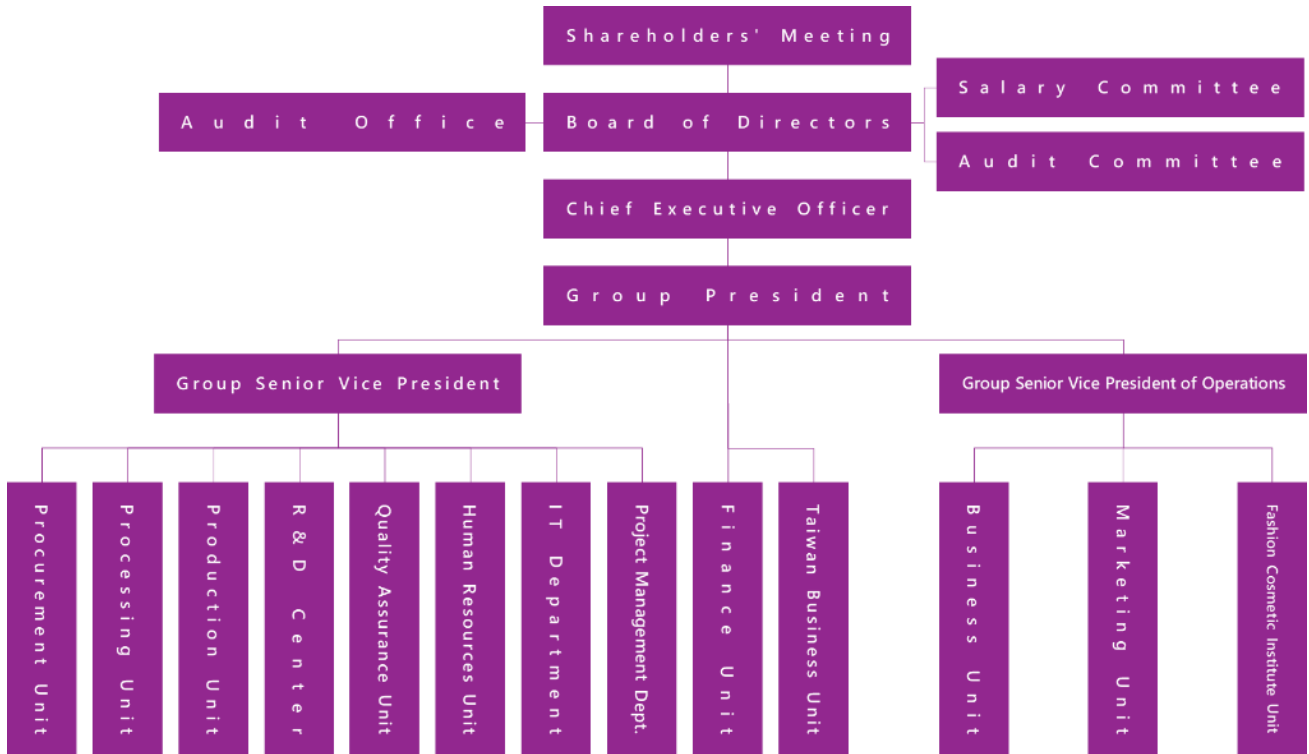
IV. Risk Items

Please refer to Chapter Seven. Risk Assessment and Other Important Matters of the Annual Report.

Three. Corporate Governance Report

I. Organization System

(I) Organization Structure of the Company



(II) Business Operations of Major Units

Department Name	Business Operated
Board of Directors	1. Implement Shareholders' Meeting resolutions and decide the Company's business and investment plans within the scope of the Shareholders' Meeting.
Salary Committee	1. Formulate and regularly review the policies, systems, standards, and structure for the performance evaluation as well as the salary compensation of the directors and managers. 2. Regularly evaluate and set the content and amount of salary compensation for directors and managers, and make recommendations to the Board of Directors.
Audit Committee	1. Represent the Board of Directors in overseeing the Company's financial reporting process and internal controls to ensure the credibility of financial reporting and compliance with Company activities. 2. Audit financial reports.
Audit Office	1. Audit units according to the plan; 2. Require rectification for defects and track the corrections.
Chief Executive Officer (CEO)	1. Make decisions on all major business operations of the Company such as the increase or decrease of finance, business direction, and business scope; 2. Participate in the decisions of the Board of Directors and implement the resolutions of the Board of Directors; 3. Run the Company's daily business activities; 4. Handle external contract signings or businesses; 5. Appointment and dismissal of the Company's senior management; 6. Regularly report business to the Board of Directors and submit an Annual Report.
Group President	1. Report the business status and development plan to the Board of Directors and the Shareholders' Meeting, and execute the matters decided by the Board of Directors. 2. Comprehensively implement the Group's business objectives and future development plans. 3. Plan and achieve the Company's important business policies and plans.
Finance Unit	1. Manage matters such as fund scheduling, accounting, and investment management within the group. 2. Manage the auditing and preparation of Consolidated Financial Statements, cost accounting and control, and preparation and compilation of budgetary information.
Taiwan Business Unit	1. Responsible for adoption and promotion of R&D, production and sale plans in the territories of Taiwan.
Procurement Unit	1. Make purchase orders, place the orders, and track the progress of such orders according to the procurement orders issued by the Processing Unit. 2. Control material costs, price comparison, bargaining, and procurement of high quality and low-price materials. 3. Cooperate with the R&D Center to find and sample the materials needed for new products. 4. Supplier development, evaluation, and assessment. 5. Abnormal daily material quality and delivery period coordination and handling.
Processing Unit	1. Reasonable and effective control of inventory, monthly/regular arrangements for the analysis of bad materials, and inform the relevant departments on what caused the backlog. 2. Finished product shipment management, and warehouse products safe storage management. 3. Monitor the material preparation progress, manage order changes and verify the pending data, and maintain close communication with the Business Unit to ensure the delivery requirements can satisfy the production order and schedule. 4. Monitor the rationality of production schedules and punctuality of production. 5. Monitor the material preparation progress, and advance or postpone material delivery according to the production schedule.
Production Unit	1. Organize and formulate online production planning based on business orders and actual production conditions. 2. Responsible for organizing and arranging production work according to the plan in order to ensure production progress. 3. Rationally deploy personnel and equipment, adjust production layout and production load, and improve production efficiency. 4. Comprehensively coordinate workshop operations, and conduct product quality problem analysis and preventive measures. 5. Establish and implement on-site management systems, and establish online production cost control mechanisms.

Department Name	Business Operated
Project Management Unit	<ol style="list-style-type: none"> 1. Refer to the product quality control system for new product design and development input, establish work plan projects, and review organization input information according to the quarterly needs of the Business Unit. 2. Product structure design, select the product packaging specifications and materials according to the product characteristics, complete the selection of the outer packaging materials, and organize audits. 3. Product packaging drawing design, prepare and arrange product packaging element design technical files according to brand requirements, and arrange the layout. 4. Product sample preparation and verification; small batch trial production communication, verification, and review; mass production process tracking; and resolution of anomalies. 5. Verification of material accessory anomaly, risk assessment participation, craftsmanship change risk assessment and implementation, and coordinate consumer complaint handling. 6. Use IE to analyze the various aspects of the production process, make a comparison plan, identify the bottleneck process, carry out rectification, and develop an improvement system. 7. Develop alternative packaging materials and simplify processes, reduce the variety of packaging materials, and reduce enterprise cost control.
Quality Assurance Unit	<ol style="list-style-type: none"> 1. Set the company's overall quality control plan, disseminate tasks, monitoring the program implementation progress and qualification rate changes, and objective corrections accordingly. 2. Resolve problems associated to the raw materials submitted, approve supply qualifications, and responsible for the monitoring, optimization, and upgrading of sub-suppliers. 3. Review and approve various documents related to the system. 4. Clearly understand the customers, industry standards, and improve product quality. Correct any problems with customer feedback plans and eliminate recurrence of the same problems. Ensure that product shipments meet the customer quality requirements. 5. Ensure that all work of the Company is carried out in strict accordance with the program files. Develop an internal audit plan, monitor internal audit work, and submit management review.
R&D Center	<ol style="list-style-type: none"> 1. Achieve product quality consistency and provide technical guarantees to meet user requirements. 2. Formulating the Company's medium- and long-term technological transformation schedules and development plans. Continue to conduct market research, track domestic and international technology trends, and organize the development of high-tech products that are suitable for conditions and technical advances in the nation. 3. Responsible for organizing the development of research projects issued by the Company. Carefully handle organization management during the development process to ensure the quality of the project and timely completion according to the design and control requirements provided by the "Quality Assurance Manual." 4. Participate in the inspection and identification of the technical qualifications of external assistance units. 5. Responsible for organizing and writing product technical specifications and manuals. Update the user manual in a timely manner as the new features of the product increase and the corresponding software changes, and assist the Marketing Unit to solve problems associated with the use of the product. 6. Supervise the Production Unit to strictly implement the process requirements, participate and organize the production craftsmanship discipline inspections, and audit product quality.
Human Resources Unit	<ol style="list-style-type: none"> 1. Analyze and integrate the Company's manpower needs, and perform good human resources planning. 2. Continue to perform manpower recruitment, assessment, appointment and dismissal, attendance, salary, training, and other relevant operations. 3. Host Company activities. 4. Labor dispute mediation. 5. Law, regulation, or policy requirement related communication, meeting participation, and work acceptance. 6. Community activities related work application, and participation. 7. Supervision and execution of plant construction and maintenance, plant greening, infrastructure construction and maintenance, etc. 8. Door guards, vehicles, cafeteria, dormitories, and supervision operations. 9. Promote and implement safety, environmental, sanitary, maintenance, and other regulatory requirements. 10. Plan and promote Company registration and change related transaction management, standardization, and supervision operations. Plan and promote trademark and patent management, manage the Company's reputation, and standardize and supervise Company operations.

Department Name	Business Operated
IT Dept.	<ol style="list-style-type: none"> 1. Responsible for the overall planning and architectural design of the Company's information construction, and establish an enterprise information management system and standard. 2. Responsible for the management and maintenance of the Company's IT assets such as the various computer-related hardware and software facilities, and the daily software and hardware maintenance and upgrade operations of the Company's computer-related network. 3. Coordinate with various departments to provide information technology support to each department as well as manage and control the Company's information resources. Provide OA, ERP, CRM, project management, business process design, hardware interface, and technology platforms. 4. Responsible for the development and utilization of internal and external information resources according to the corporate development strategy and information strategy requirements; the collection, summary, analysis, and research of information; preparation of information analysis reports on a regular basis for the supervisors for decision making; participation in the formulation of Company-specific standards and systems. 5. Responsible for controlling the department's budget; reducing the costs; organize the maintenance, purchase, acceptance, and registration of the Company's computer-related equipment; manage software consulting, design, procurement, testing, acceptance, and routine maintenance; and propose feasible projects. 6. Responsible for the training, consulting, relevant information release, review, development, and publicity in information construction.
Business Unit	<ol style="list-style-type: none"> 1. Coordinate all aspects of business sales and market development issues, brand operation and investment management, market and sales management, and customer service management.
Marketing Unit	<ol style="list-style-type: none"> 1. Responsible for market research and data acquisition, and establish a corporate news and customer information database. 2. Integrate and optimize product planning and promotion programs, control the effectiveness and quality of advertising, as well as plan and coordinate major events for local projects. 3. Responsible for market research, product positioning analysis, preparation of product development steps and operational proposals based on product development positioning. 4. Formulate the Company's overall market strategy and the Company's long-term brand development strategy according to the Company's overall plan.
Fashion Cosmetic Institute Unit	<ol style="list-style-type: none"> 1. Responsible for the management, assessment, training, etc., of internal and external professional training classes of the various business units. 2. Responsible for the establishment of a lecturer group and expansion team for this unit. 3. Assist in the reception of important guests during main events, conduct relevant hosting and coordination work, and participate in coordinating the working relationships between the various business units. 4. Run the academic/industry cooperation training operations.

II. Information on the Company's Directors, Supervisors, President, Assistant Presidents, Deputy Assistant Presidents, and Supervisors of All the Company's Divisions and Branch Units

(I) Background of Directors and Supervisors

1. Basic Information

Date: March 9, 2020; Unit: Thousand Shares, %

Job Title	Name	Gender	Nationality	Date First Elected	Date Elected	Term of Office	Time Elected Shares Held		Current shareholding		Shares Currently Held by Spouses and/or Children of Minor Age		Shares Held Through Nominees		Education and selected past positions	Position(s) Held Concurrently in the Company and/or in Any Other Company	Any Other Supervisor, Director, or Supervisor Who is a Spouse or a Relative Within the Second Degree of Kinship of This Person			Remarks
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Chairman	Black Praise International Limited	—	Hong Kong	2017 11.30	2017 11.30	3 Years	11,925	36.14	15,216	32.11	—	—	—	—	—	—	—	—	—	Note 6
	Representative: Li-Fen Luo	F	R.O.C.				1,875	6.35	2,472	5.22	—	—	15,216 (Note 1)	32.11	Bachelors, Hong Kong Chinese Medicine Research Institute Hong Kong Chinese Medicine Physician, General Practitioner Director-general of Chinese International Beauty Association The 3rd Chairman of the China International Leaders Association of the ILF Foundation	Director of Black Praise International Limited Director Director of Allied Biotech Corporation Chairman of Ying'an Investment Co., Ltd. Supervisor of Zhangzhou Care-pro Biologic Technology Co., Ltd Chairman of Luo Lih-Fen Enterprise Limited Chairman of Lever Guide Biotech Co., Ltd.	—	—	—	
Director	Talent Reach (HK) Limited	—	Hong Kong	2016 12.29	2017 11.30	3 Years	3,873	13.12	5,406	11.41	—	—	—	—	—	—	—	—	—	
	Representative: Huan-Wen Jao	M	R.O.C.				0.02	—	0.03	—	—	—	14,976 (Note 2)	31.61	Bachelors of Electronic Engineering, National Defense University Chung Cheng Institute of Technology CEO of the Chinese International Beauty Association Vice President China Daily Chemical Industry Technology Innovation Alliance	Director of Luo Lih-Fen Group Co., Ltd. Executive Director of Juwenlee (Fujian) Cosmetics Co., Ltd. Executive Director and President of Zhangzhou Care-pro Biologic Technology Co., Ltd Executive Director of Huiwenli (Fujian) Enterprise Management Co., Ltd. Executive Director of LiChuang (FuJian) Bio-Technology Co.,Ltd. Director of Forward Idea Investments Limited Director of Talent Reach (HK) Limited Director of World Maker International Limited Director of Luo Lih-Fen Group Limited Group Limited (Note 5)	—	—	—	

Job Title	Name	Gender	Nationality	Date First Elected	Date Elected	Term of Office	Time Elected Shares Held		Current shareholding		Shares Currently Held by Spouses and/or Children of Minor Age		Shares Held Through Nominees		Education and selected past positions	Position(s) Held Concurrently in the Company and/or in Any Other Company	Any Other Supervisor, Director, or Supervisor Who is a Spouse or a Relative Within the Second Degree of Kinship of This Person			Remarks
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Director	Shih-Chinn Ho	M	R.O.C.	2017 11.30	2017 11.30	3 Years	—	—	128	0.27	—	—	332 (Note 3)	0.70	Masters of Management, National Taiwan University Master of Financial Management, Golden Gate University Department of Business Administration, Fu Jen Catholic University President for the 24th Session of the Third Council for Industrial and Commercial Development 10th Chairman of the National Taiwan University EMBA Alumni Foundation	Chairman of Taiwan Land Investment Co., Ltd. Director of Land Transport Co., Ltd. Vice Chairman (Institutional Representative) of Trade-Van Information Services Co. Independent Director of Center Laboratories, Inc. Independent Director of Collins Co., Ltd. Independent Director of Super Dragon Technology Co., Ltd. Director of Allied Biotech Corporation Director of Ever Supreme Bio Technology Director of Wisdom Investment Co., Ltd.	—	—	—	
Director	Li-Chen Lin	F	R.O.C.	2017 11.30	2017 11.30	3 Years	—	—	34	0.07	—	—	718 (Note 4)	1.51	Master of Business Administration, Tulane University Bachelor of Law, National Taipei University	Attorney in Charge of PCL TransAsia Law Offices Chairman of LeadSun Investment & Asset Management Limited Director of LeadSun Investment & Asset Management Limited Director of LeadSun New Star Corp. Director of LeadSun Holding Corp. Director of Central Motion Picture Co. Director of Central Pictures Management Consulting Co., Ltd. Supervisor of ADE Technology Inc. Director of CPC Corporation, Taiwan Director of Phalanx Biotech Chairman of Lizhi Investment Co., Ltd. Representative of LeadSun & ISU Corp General Partnership Director of Zhitai Investment Co. Director of LeadSun KCIS Limited	—	—	—	

Job Title	Name	Gender	Nationality	Date First Elected	Date Elected	Term of Office	Time Elected Shares Held		Current shareholding		Shares Currently Held by Spouses and/or Children of Minor Age		Shares Held Through Nominees		Education and selected past positions	Position(s) Held Concurrently in the Company and/or in Any Other Company	Any Other Supervisor, Director, or Supervisor Who is a Spouse or a Relative Within the Second Degree of Kinship of This Person			Remarks
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Independent Director	Hsiao-Ling Chou	F	R.O.C.	2017 11.30	2017 11.30	3 Years	—	—	—	—	—	—	—	—	Master of Finance, National Taiwan University Department of International Business, Feng Chia University Vice Chairman and President of Polaris MF Global Futures Co., Ltd. Vice President of OCBC Bank President of the Securities Brokerage Division, Polaris Securities Executive Vice President and Spokesperson, Polaris Trust	Audit Committee Member/Remuneration Committee Member of Luo Lih-Fen Holding Co., Ltd. Director of Yuanta Futures (Hong Kong) Co., Ltd. Director and President of Yuanta Futures Co., Ltd. Director of Taiwan Futures Exchange (TAIFEX) Director of Yuanta Foundation Director of SYF Information (Shanghai) Director of SYF Information (Samoa) Director of SYF Information Director of CONNECTION LABS LTD.	—	—	—	
Independent Director	Yu-Che Wang	M	R.O.C.	2017 11.30	2017 11.30	3 Years	—	—	—	—	—	—	—	—	Ph.D. in Business Education, University of Missouri-Columbia Master of Business Administration, University of Massachusetts Dartmouth, USA Bachelor of Financial Management, University of Maryland, USA Researcher, National Policy Foundation Consultant, Hsinchu City Government	Audit Committee Member/Remuneration Committee Member of Luo Lih-Fen Holding Co., Ltd. Associate Professor of the Department of Business Administration, Chung Hua University Chairman of Board, Taiwan Nanli Electric Co., Ltd. International Consultant of the Taiwan Institute of Economic Research Expert Judging Committee Member of MAPECT Expert Member of Public Construction Commission Director of Chung Hua University Director of World Senior High School	—	—	—	

Job Title	Name	Gender	Nationality	Date First Elected	Date Elected	Term of Office	Time Elected Shares Held		Current shareholding		Shares Currently Held by Spouses and/or Children of Minor Age		Shares Held Through Nominees		Education and selected past positions	Position(s) Held Concurrently in the Company and/or in Any Other Company	Any Other Supervisor, Director, or Supervisor Who is a Spouse or a Relative Within the Second Degree of Kinship of This Person			Remarks
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Independent Director	Yin-Chieh Hsu	M	R.O.C.	2017 11.30	2017 11.30	3	—	—	—	—	—	—	—	—	Master of Accounting, College of Management, National Taiwan University EMBA Bachelor of Law, National Taipei University Member of the Gender Work Equality Committee, Central Taiwan Science Park Administration, National Science Council, Executive Yuan Honorary Attorney-at-Law, Small and Medium Enterprise Administration, MOEA Consultant of the Chinese Federation of Labor Consultant of Changhua County Government Legal Support Member of Changhua County Government Labor Arbitration Committee Member of the Aviation Police Department Legal Advisory Committee Lecturer for Real Estate Salespersons in Civil Code, Fair Trade Act and Consumer Protection Law of Ministry of Interior	Audit Committee Member/Remuneration Committee Member of Luo Lih-Fen Holding Co., Ltd. Attorney in Charge of HC & Partners Independent Director of ONANO CORPORATION Institutional Representative of Supervisor of GRAND HALL ENTERPRISE CO., LTD. Independent Director/Audit Committee Member/Remuneration Committee Member of Allied Biotech Corporation Director of Changhua Public Service Channel Foundation	—	—	—	

Note 1: Li-Fen Luo holds 15,216 thousand shares of the Company through Black Praise International Limited with a shareholding ratio of 32.11%.

Note 2: Huan-Wen Jao holds 7,656 thousand shares of the Company through Forward Idea Investments Limited with a shareholding ratio of 16.16%, 5,406 thousand shares through Talent Reach (HK) Limited with a shareholding ratio of 11.41%, and 1,914 thousand shares through World Maker International Limited with a shareholding ratio of 4.04%.

Note 3: Shih-Chinn Ho holds 332 thousand shares of the Company through Wisdom Investment Co., Ltd. with a shareholding ratio of 0.7%.

Note 4: Li-Chen Lin holds 394 thousand shares of the Company through LeadSun Investment & Asset Management Limited with a shareholding ratio of 0.83%, as well as 324 thousand shares through LeadSun Investment & Asset Management Limited with a shareholding ratio of 0.68%. Because she has only 25.83% of the general shareholding ratio for LeadSun New Star Corp, it is not listed in the Shares Held Through Nominees calculation of her.

Note 5: To prevent the name of “Luo Li-Fen Group Limited” being registered by other companies, the President of this Company, Huan-Wen Jao, registered the Company in Hong Kong under his name and he also served as the Director. At present, Luo Li-Fen Group Limited has no substantive operations. It also pledged that if Luo Lih-Fen Holding Co., Ltd. is to register a company in Hong Kong under the aforesaid name, the original registration cost will be unconditionally transferred to Luo Lih-Fen Holding Co., Ltd.; and the Company may not engage in businesses currently associated with Luo Lih-Fen Holding Co., Ltd. and its subsidiaries.

Note 6: Where the Company's Chairman and President or equivalent (the supreme management) are the same person, spouses or relatives within 1st degree of kinship, please state the cause, rationality, necessity and responsive action: Ms. Lih-Fen Luo, as the founder of the Company, owns the professional knowledge and skills required by the industry with her experience in this industry for more than three decades. Meanwhile, Ms. Lih-Fen Luo has the practical experience in corporate business management for many years. Therefore, the Company retains Ms. Lih-Fen Luo to serve as the CEO responsible for the routine management and decision making of the Company. In order to strengthen the Company's corporate governance, the Company initially appointed 3 independent directors in accordance with the Articles of Incorporation requiring that there should be no less than 3 independent directors appointed. Then, the Board of Directors meeting approved on March 9, 2020 that one additional independent director should be elected in the reelection of directors for the year. The Company plans to elect 4th independent director at the shareholders' meeting on June 3, 2020.

2. Major Shareholders of Corporate Shareholders**List of major shareholders****Date: April 30, 2020**

Name of Institutional Shareholder	Major Shareholders of Corporate Shareholders
Black Praise International Limited Registration Location: Hong Kong	Li-Fen Luo (100%)
Talent Reach (HK) Limited Registration Location: Hong Kong	Huan-Wen Jao (100%)

3. The main shareholders if the main shareholder of the corporate shareholder is the corporation: None.

4. The status of expertise and independence of the directors and supervisors: (The Company has not appointed a supervisor.)

Name	Qualification	Meet one of the following professional requirements, together with at least five years of work experience.	Conform to independence status((Note 1)												Number of other public companies working part-time as an independent director for;	
	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 specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company;	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11		12
Black Praise International Limited Representative: Li-Fen Luo			✓									✓	✓	✓		—
Talent Reach (HK) Limited Representative: Huan-Wen Jao			✓									✓	✓	✓		—
Shih-Chinn Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Li-Chen Lin		✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Hsiao-Ling Chou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Yu-Che Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Yin-Chieh Hsu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: A “✓” is marked in the space beneath a condition number when a director or supervisor has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of the managers in the subparagraph (1) or any of the persons in the subparagraphs (2) & (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that designates its representative to act as the director or supervisor of the Company under Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (6) Not a director, supervisor or employee of a company of which the director seats or a majority of voting shares and those of the Company are controlled by the same person (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (7) Not a director, supervisor or employee of a company or institution that is the same person or spouse of the Company's Chairman, President or equivalents (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relationship with the Company (unless the specific or institution holds more than 20% but less than 50% of the total number of issued shares of the Company, and the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, managerial officer of a sole proprietorship, partnership, company, or institution that, provides audit services, or the commercial, legal, financial or accounting services, which have earned no more than NT\$500,000 cumulatively for the most recent two years, to the Company or to any affiliate of the Company, or the spouse thereof. Notwithstanding, this shall not apply to the members of Remuneration Committee, Public Tender Offers Review Committee or Special Committee under Taiwan Business Mergers and Acquisitions Act, who perform duty pursuant to the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

(II) Information of the President, Vice President, Associated Director, and Supervisor of the Various Units and Branches

Date: March 9, 2020; Unit: Thousand Shares, %

Job Title	Name	Gender	Nationality	Inauguration Day	Shares Held		Shares Held by Spouses and/or Children of Minor Age		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Any Other Managerial Officer Who is a Spouse or a Relative Within the Second Degree of Kinship of this Person			Remarks
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Chief Executive Officer (CEO)	Li-Fen Luo	F	R.O.C.	2018 01.16	2,472	5.22	—	—	15,216 (Note 1)	32.11	Bachelors, Hong Kong Chinese Medicine Research Institute Hong Kong Chinese Medicine Physician, General Practitioner Director-general of Chinese International Beauty Association The 3rd Chairman of the China International Leaders Association of the ILF Foundation	Director of Black Praise International Limited Director Director of Allied Biotech Corporation Chairman of Ying'an Investment Co., Ltd. Supervisor of Zhangzhou Care-pro Biologic Technology Co., Ltd Chairman of Luo Lih-Fen Enterprise Limited Chairman of Lever Guide Biotech Co., Ltd.	—	—	—	Note 2
President	Huan-Wen Jao	M	R.O.C.	2016 12.15	0.03	—	—	—	14,976 (Note 3)	31.61	Bachelors of Electronic Engineering, National Defense University Chung Cheng Institute of Technology CEO of the Chinese International Beauty Association Vice President China Daily Chemical Industry Technology Innovation Alliance	Director of Luo Lih-Fen Group Co., Ltd. Executive Director of Juwenlee (Fujian) Cosmetics Co., Ltd. Executive Director and President of Zhangzhou Care-pro Biologic Technology Co., Ltd Executive Director of Huiwenli (Fujian) Enterprise Management Co., Ltd. Executive Director of LiChuang (FuJian) Bio-Technology Co.,Ltd. Director of Forward Idea Investments Limited Director of Talent Reach (HK) Limited Director of World Maker International Limited Director of Luo Lih-Fen Group Limited Group Limited (Note 4)	—	—	—	
Senior Vice President	Jian-Ping Lin	M	China	2007 03.20	—	—	—	—	—	—	Xiamen University Professional Law Degree Vice President of Fujian Daily Chemicals Chamber of Commerce Vice President of Zhangzhou Individual Private Enterprise Association Director of China Information Association For Traditional Chinese Medicine and Pharmacy, CIATCM Director of Detergent & Cosmetics Vice President of Henan FE Subsidiary Ent. Administrative Supervisor of Xiamen Yongshun Paper Co. Administrative Unit Manager for Xinyu (Fujian) Technology Co., Ltd. Management Unit Manager for Odeo Technology (Xiamen) Co., Ltd.	President of Juwenlee (Fujian) Cosmetics Co., Ltd. Supervisor of Xiamen Luolifen Cosmetics Co., Ltd. Supervisor of Xiamen Draise Cosmetics Co., Ltd. President of Huiwenli (Fujian) Cosmetics Co., Ltd.	—	—	—	

Job Title	Name	Gender	Nationality	Inauguration Day	Shares Held		Shares Held by Spouses and/or Children of Minor Age		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Any Other Managerial Officer Who is a Spouse or a Relative Within the Second Degree of Kinship of this Person			Remarks
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Senior Vice President of Operations	Hung Chen	F	China	2006 12.19	—	—	—	—	—	—	Marketing Department of Ningde Vocational and Technical College, Fujian Province Tsinghua University “Cosmetic Professional Manager Class” Xiamen University “Entrepreneur Excellence Management Training” Class Front Office Manager, Fujian Quanzhou Zhenshi Hotel Company	Senior Vice President of Business for Juwenlee (Fujian) Cosmetics Co., Ltd. Executive Director and President of Xiamen Luolifen Cosmetics Co., Ltd. Supervisor of Xiamen Glingluo cosmetics Co., Ltd. Executive Director and President of Xiamen Draise Cosmetics Co., Ltd. Supervisor of LiChuang (FuJian) Bio-Technology Co., Ltd.	—	—	—	
Vice President of Business	Chao-Hsiang Chi	M	China	2008 03.01	—	—	—	—	—	—	Xiamen University EMBA (Studying) Bachelors of Accounting, Zhejiang Gongshang University Planning, Harbin Broadcasting & TV Station Center	Vice President of Business for Juwenlee (Fujian) Cosmetics Co., Ltd. Executive Director and President of Zhangzhou Healthy Skin Clinic Co., Ltd. Executive Director and President of Zhangzhou Kangqili Health Management Co., Ltd. Executive Director and President of Xiamen Glingluo cosmetics Co., Ltd. Supervisor of Xiamen Sunlily Cosmetics Co., Ltd.	—	—	—	
Vice President of Business	Li Wang	F	China	2006 12.19	—	—	—	—	—	—	Bachelor’s Degree in Computer Applications, People’s Liberation Army Xi’an Communication University Employee of the Hunan Jinshi Grain Bureau	Vice President of Business for Juwenlee (Fujian) Cosmetics Co., Ltd. Executive Director and President of Xiamen Sunlily Cosmetics Co., Ltd. President of LiChuang (FuJian) Bio-Technology Co., Ltd.	—	—	—	
CEO Special Assistant	Yi-Chun Lin	F	R.O.C.	2017 12.01	—	—	—	—	—	—	Bachelors of Accounting, National Taipei University Passed the R.O.C. Accountant College Entrance Examination CFO, Yummy Town (Cayman) Holdings Corporation Manager of the Audit Unit for Anli International Co. Associate Manager of the Financial Unit for Taiwan Express (HK) Manager of Deloitte & Touche Assistant Manager of Deloitte Taiwan	Director of Fengyi Investment Co., Ltd.	—	—	—	
Special Assistant of the President	Chih-Fu Wang	M	R.O.C.	2017 06.16	—	—	—	—	—	—	Bachelors of Accounting, National Taipei University Passed the R.O.C. Accountant College Entrance Examination CPA Partner of Quan Wei CPA Firm Special Assistant for the Chairman of Fu Chuan Steel Ltd. Board of Directors Secretary for Xiamen Quansheng Industrial Co. Assistant Manager of Deloitte Taiwan	Executive Director of Xiamen Fuqidana Enterprise Management Consulting Co. Director of Xiamen Yuangu Creative Design Co. Director of Guanneng Investment Co. Supervisor of Ximen Luhe International Trade Co.,Ltd	—	—	—	

Job Title	Name	Gender	Nationality	Inauguration Day	Shares Held		Shares Held by Spouses and/or Children of Minor Age		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Any Other Managerial Officer Who is a Spouse or a Relative Within the Second Degree of Kinship of this Person			Remarks
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Accounting Manager	Xiu-Qiong Zhang	F	China	2016 12.15	—	—	—	—	—	—	Bachelors of Business Administration, Jimei University CFO Class, School of Management, Xiamen University National Intermediate CPA Certificate National CTA Certificate Project Organizer of Xiamen Xinzhou Accounting Firm Limited Company Financial Officer of Xiamen Yongshun Paper Industry Development Co., Ltd.	Accounting Manager of Juwenlee (Fujian) Cosmetics Co., Ltd.	—	—	—	
Audit Officer	Ting-Ting Wu (Note 5)	F	R.O.C.	2016 12.15	—	—	—	—	—	—	Bachelor of Accounting, National Taipei University Master of Accounting Institute, National Cheng Kung University Passed the R.O.C. Senior Qualification Examination for CPA Finance Manager of Hakers Enterprise Co., Ltd Senior Consultant for PwC Taiwan Deputy Chief of Moores Rowland CPAs Deputy Chief of Deloitte Taiwan	—	—	—	—	
Audit Officer	Yi Shu Li (Note 5)	F	R.O.C.	2020 01.01	—	—	—	—	—	—	Master of Graduate School of Business and Management, Lunghwa University Audit Manager of Leasing Co. Manager of the Audit for hh leasing & financial corp. Audit Manager of Vectorite Biomedical Inc.	—	—	—	—	

Note 1: Li-Fen Luo holds 15,216 thousand shares of the Company through Black Praise International Limited with a shareholding ratio of 32.11%.

Note 2: Where the Company's Chairman and President or equivalent (the supreme management) are the same person, spouses or relatives within 1st degree of kinship, please state the cause, rationality, necessity and responsive action:
Ms. Li-Fen Luo, as the founder of the Company, owns the professional knowledge and skills required by the industry with her experience in this industry for more than three decades. Meanwhile, Ms. Li-Fen Luo has the practical experience in corporate business management for many years. Therefore, the Company retains Ms. Luo to serve as the CEO responsible for the routine management and decision making of the Company. In order to strengthen the Company's corporate governance, the Company initially appointed 3 independent directors in accordance with the Articles of Incorporation requiring that there should be no less than 3 independent directors appointed. Then, the Board of Directors meeting approved on March 9, 2020 that one additional independent director should be elected in the reelection of directors for the year. The Company plans to elect 4th independent director at the shareholders' meeting on June 3, 2020.

Note 3: Huan-Wen Jao holds 7,656 thousand shares of the Company through Forward Idea Investments Limited with a shareholding ratio of 16.16%, 5,406 thousand shares through Talent Reach (HK) Limited with a shareholding ratio of 11.41%, and 1,914 thousand shares through World Maker International Limited with a shareholding ratio of 4.04%.

Note 4: To prevent the name of "Luo Li-Fen Group Limited" being registered by other companies first in 2016, the President of this Company, Huan-Wen Jao, registered the Company in HK under his name and he also served as the Director. At present, Luo Li-Fen Group Limited has no substantive operations. It also pledged that if Luo Lih-Fen Holding Co., Ltd. Is to register a company in Hong Kong under the aforesaid name, the original registration cost will be unconditionally transferred to Luo Lih-Fen Holding Co., Ltd.; and the Company may not engage in businesses currently associated with Luo Lih-Fen Holding Co., Ltd. and its subsidiaries.

Note 5: The post transfer was ordered in response to the Group's business needs. Specifically, the original audit officer, Ms. Ting Ting Wu, was transferred to the Business Unit, and Ms. Yi Shu Li succeeded to the audit officer, starting from January 1, 2020.

III. Remuneration Paid to Directors, Supervisors, President, and Vice President During the Most Recent Year (2019)

(I) Remuneration to Directors, Independent Directors, President, and Vice President

1. Remuneration to Directors and Independent Directors

Date: March 9, 2020; Unit: NT\$1,000

Date: March 9, 2020, Unit: NT\$1,000

Job title	Name	Remuneration of Directors								Total Amount of A, B, C, and D to Net Income After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees								Total Amount A, B, C, D, E, F, and G to Net Income After Tax (%)		Remuneration from investees other than subsidiaries, or parent company
		Remuneration (A)		Retirement Allowance (B)		Remuneration to Directors (C)		Professional Fees (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Employees' Earnings (G)						
		The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company		All Companies in the Financial Statement		The Company	All Companies in the Financial Statement	
Director	Black Praise International Limited																					
	Representative: Li-Fen Luo																					
	Talent Reach (HK) Limited	-	-	-	-	7,200	7,200	175	175	1.48	1.48	8,736	12,263	-	17	-	-	-	-	3.24	3.95	-
	Representative: Huan-Wen Jao																					
	Shih-Chinn Ho																					
	Li-Chen Lin																					
Independent Director	Hsiao-Ling Chou																					
	Yu-Che Wang	1,920	1,920	-	-	-	-	130	130	0.41	0.41	-	-	-	-	-	-	-	-	0.41	0.41	-
	Yin-Chieh Hsu																					
Total		1,920	1,920	-	-	7,200	7,200	305	305	1.89	1.89	8,736	12,263	-	17	-	-	-	-	3.65	4.36	-

1. Please state the policies, systems, standards and results of remuneration to independent directors, and the relations between the remuneration and the job responsibility, risk and engagement hours borne by the independent directors: The remuneration to the Company's independent directors is paid in accordance with the Company's Regulations Governing Remuneration to Independent Directors, and authorized subject to the experience, full-time and concurrent positions and scope of job responsibilities of the independent directors. The independent directors' salary is paid at fixed amount and on a monthly basis. The attendance fees are authorized per the counts of actual attendance by each director.

2. In addition to those disclosed in the table above, the amount of remuneration for the services (such as non-employee consultants, etc.) provided to all of the companies by the Company's directors in the Financial Report for last year: None.

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Directors			
	Summation of the First 4 Items (A+B+C+D)		Summation of the First 7 Items (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement
Below NT\$1,000,000	Hsiao-Ling Chou/ Yu-Che Wang/ Yin-Chieh Hsu	Hsiao-Ling Chou/ Yu-Che Wang/ Yin-Chieh Hsu	Hsiao-Ling Chou/ Yu-Che Wang/ Yin-Chieh Hsu	Hsiao-Ling Chou/ Yu-Che Wang/ Yin-Chieh Hsu
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Shih-Chinn Ho/Li-Chen Lin	Shih-Chinn Ho/Li-Chen Lin	Shih-Chinn Ho/Li-Chen Lin	Shih-Chinn Ho/Li-Chen Lin
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Li-Fen Luo/Huan-Wen Jao	Li-Fen Luo/Huan-Wen Jao	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—	Li-Fen Luo/Huan-Wen Jao	Li-Fen Luo/Huan-Wen Jao
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	—	—	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—	—	—
NT\$50,000,000(inclusive)~ NT\$100,000,000 (exclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Grand Total	7 People	7 People	7 People	7 People

2. Remuneration to Supervisor: Not applicable, because the Company has established the Audit Committee.

3. Remuneration to Presidents and Vice Presidents

Date: March 9, 2020; Unit: NT\$1,000

Date: March 7, 2020, Unit: NT\$1,000

Job title	Name	Remuneration (A)		Retirement Allowance (B)		Bonuses, Special Expenses, etc. (C)		Employee Salary Amount (D)				Total Amount of A, B, C, and D to Net Income After Tax (%)		Remuneration from investees other than subsidiaries, or parent company
		The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company	All Companies in the Financial Statement	The Company		All Companies in the Financial Statement		The Company	All Companies in the Financial Statement	
								Cash Amount	Share Amount	Cash Amount	Share Amount			
Chief Executive Officer (CEO)	Li-Fen Luo	2,254	15,211	-	739	6,482	17,101	-	-	-	-	1.76	6.64	-
President	Huan-Wen Jao													
Senior Vice President	Jian-Ping Lin													
Senior Vice President of Operations	Hung Chen													
Vice President of Business	Chao-Hsiang Chi													
Vice President of Business	Li Wang													
CEO Special Assistant	Yi-Chun Lin													
Special Assistant of the President	Chih-Fu Wang													
Accounting Manager	Xiu-Qiong Zhang													

Range of Remuneration

Range of remuneration to presidents and vice presidents	Names of Presidents and Vice Presidents	
	The Company	All Companies in the Financial Statement
Below NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	Xiu-Qiong Zhang
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Huan-Wen Jao	Chao-Hsiang Chi/ Li Wang/Yi-Chun Lin/Chih-Fu Wang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	Jian-Ping Lin/Hung Chen
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Li-Fen Luo	Li-Fen Luo/Huan-Wen Jao
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Grand Total	2 People	9 People

4. Name and distribution of the manager who assigned the employee's remuneration: None.

5. Respectively compare and specify the analysis results for the ratios of the net incomes for all of the total remuneration amounts paid by the Company and companies included in the consolidated financial statements to the Company's directors, supervisors, presidents, and vice presidents in the last two years to the net income after tax in the entity or separate financial reports; and specify the relevance between the payment remuneration policies, standards and combinations, remuneration setting procedures, operating performances, and future risks:

- (1) Proportion of the total remuneration paid by the Company and companies included in the consolidated financial statements to the Company's Directors, Supervisors, Presidents and Vice Presidents to the net income after tax in the entity or separate financial report for the most recent two years.

Unit: NT\$1000

Items \ Year	2018		2019	
	The Company	Consolidated Statement	The Company	Consolidated Statement
Total Remuneration of Directors	9,330	9,330	18,161	21,705
Total Remuneration to Directors to Net Income after Tax (%)	2.16%	2.16%	3.65%	4.36%
Total Remuneration to Presidents and Vice Presidents	-	10,260	8,736	33,051
Total Remuneration to Presidents and Vice President to Net Income after Tax (%)	-	2.38%	1.76%	6.64%

- (2) Remuneration policies, standards and packages, procedures for determining remuneration and its connection with business performance and future risk exposure.

The Company has established the Remuneration Committee, which is composed of all independent directors. The Remuneration Committee is responsible for setting and regularly reviewing the policies, systems, standards, and structures for performance evaluation and compensation for directors and managers. The remuneration to directors and managers are now determined after regular assessment and reference to the typical pay levels adopted by peer companies. The remuneration shall be determined in the following manners:

- I. Ensure that the remuneration paid by the Company satisfies laws and affords to attract excellent talents.
- II. The performance appraisal on and remuneration to directors and managers shall be considered based on the typical pay levels adopted by peer companies, and in consideration of personal performance appraisal results, spent hours, responsibilities, fulfillment of personal targets, other duty performance, and remuneration paid by the Company to the equivalent position in the recent years. Meanwhile, the connection of personal performance with business performance and future risk exposure is assessed in terms of the fulfillment of the Company's short-term and long-term business targets, and the Company's financial position.
- III. Not to lead directors and managers to engage in any activities beyond the Company's risk acceptance for pursuing remuneration.
- IV. Take the industrial characteristics and Company's business nature into account when determining the proportion of short-term performance remuneration to directors and senior management and time to pay certain variable remuneration.
- V. The rationality of the contents and amount of remuneration to directors and managers shall be taken into account. The resolution on remuneration to directors and managers shall not materially deviate from the financial performance. In the case of significant declination of earnings or long-term loss, the remuneration shall not be higher than that in the previous year.

IV. Company Corporate Governance Operational Status

(I) Board of Directors Operational Status:

In the most recent year (2019), the Board of Directors has convened 9 meetings. From 2020 until the date of publication of the annual report, the Board of Directors has convened one meeting. Therefore, there were already 10 meetings (A) convened in total. The Company's director presence (attendance) at the meetings is stated as following:

Job title	Name	Actual presence (attendance) counts (B)	Number of Attendances by Proxy	Actual presence (attendance) rate (%) (B/A)	Remarks
Chairman	Black Praise International Limited Representative: Lih-Fen Luo	10	0	100%	
Director	Talent Reach (HK) Limited Representative: Huan-Wen Jao	10	0	100%	
Director	Shih-Chinn Ho	10	0	100%	
Director	Li-Chen Lin	9	1	90%	Director Shih-Chinn Ho was appointed to attend 16th meeting of the Board of Directors of 2nd term as a proxy.
Independent Director	Hsiao-Ling Chou	9	1	90%	Director Yin-Chieh Hsu was appointed to attend 13th meeting of the Board of Directors of 2nd term as a proxy.
Independent Director	Yu-Che Wang	10	0	100%	
Independent Director	Yin-Chieh Hsu	10	0	100%	

Other Noteworthy Matters:

I. If the Board of Director operations have any of the following conditions; the date, period, and the proposal contents of the independent directors as well as the Company's handling of the independent directors' opinions must be specified:

(I) Matters specified in Article 14.3 of Taiwan's Securities and Exchange Act:

- 9th meeting of the Board of Directors of 2nd term on March 15, 2019 passed the following:
 - (1) Motion for the Company's 2018 Business Report and Financial Statement.
 - (2) Motion for the Company's 2018 annual surplus allocation.
 - (3) Undertake Surplus Capital Reserve New Share Issuance in Collaboration with the Company's 2018 Surplus Allocation Motion.
 - (4) Motion for the Company's "Board of Directors Performance Appraisal" in 2018.
 - (5) The Company's 2018 Employee and Director Remuneration Distribution Status.
 - (6) Submitted the motion for the Company's 2018 "Internal Control System Declaration."
 - (7) Motion for the assessment of the independent auditor's competency and independence.
 - (8) Motion to amend the Company's "Articles of Incorporation."
 - (9) Motion to amend the Company's "Parliamentary Rules or Board of Directors Meeting"
 - (10) Motion to amend the Company's "Parliamentary Rules for Shareholders' Meeting"
 - (11) Motion to amend the Company's "Rules for Election of Directors"
 - (12) Motion to purchase insurance for directors and managers
 - (13) Motion to increase the amount of the Chairman's authorization for capital preservation financial products
 - (14) Motion to hold the Company's 2018 General Shareholders' Meeting

Said motions were approved by all attending directors unanimously.
- 10th meeting of the Board of Directors of 2nd term on May 8, 2019 passed the following:
 - (1) Motion to report the Q1 2019 consolidated financial statements of the Company.
 - (2) Motion to passed the additions to the Company's "Standard Operating Procedures for Responding to Requests from Directors".
 - (3) Motion to pass the establishment of "Zhangzhou Healthy Skin Clinic Co., Ltd."
 - (4) Motion to pass the reinvestment in companies in Taiwan.
 - (5) Motion to pass the authorization to the Chairman to handle bank account opening matters on behalf of the Company.

Said motions were approved by all attending directors unanimously.
- 11th meeting of the Board of Directors of 2nd term on June 13, 2019 passed the following:
 - (1) Motion to acquire the factory office for the subsidiary, Lever Guide Biotech Co., Ltd..
 - (2) Motion to pass the application for financing with the bank by the subsidiary, Lever Guide Biotech Co., Ltd..

Said motions were approved by all attending directors unanimously.
- 12th meeting of the Board of Directors of 2nd term on June 26, 2019 passed the following:
 - (1) Motion to set the Company's ex-dividend and ex-right record dates and distribution of stock dividends.
 - (2) Motion to pass the facility application to be filed by Lever Guide Biotech Co., Ltd. With the bank.
 - (3) Motion to add the termination of the non-competition restriction imposed on the Company's directors.

Said motions were approved by all attending directors unanimously.
- 13th meeting of the Board of Directors of 2nd term on August 6, 2019 passed the following:
 - (1) Motion to report the Q2 2019 consolidated financial statements of the Company.

- (2) Motion to amend the Company's "Regulations Governing Performance Appraisal on Board of Directors".
 - (3) Motion to amend the Company's "Operating Procedures for Endorsement and Guarantee".
 - (4) Motion to amend the Company's "Operating Procedures for Loaning Funds to Others".
- Said motions were approved by all attending directors unanimously.
6. 14th meeting of the Board of Directors of 2nd term on October 3, 2019 passed the following:
- (1) Motion to pass the establishment of new company through investment by the subsidiary, Huiwenli (Fujian) Cosmetics Co., Ltd.
 - (2) Motion to pass the JUWENLEE (FUJIAN) COSMETICS CO., LTD.'s factory premises expansion program.
 - (3) Motion to pass the acquisition of offices through the subsidiary, JUWENLEE (FUJIAN) COSMETICS CO., LTD., in Ximen City.
- Said motions were approved by all attending directors unanimously.
7. 15th meeting of the Board of Directors of 2nd term on November 8, 2019 passed the following:
- (1) Motion to report the Q3 2019 consolidated financial statements of the Company.
 - (2) Motion to pass the amendments to the project for establishment of new company through investment by the Mainland subsidiary, Huiwenli (Fujian) Cosmetics Co., Ltd.
 - (3) Motion to pass the application or facility by the subsidiary with the bank and the endorsement/guarantee made by the Company for the subsidiary
 - (4) Motion to pass the acquisition of right-of-use assets by the subsidiary in Taiwan.
 - (5) Motion to pass the acquisition of right-of-use assets by the subsidiary in Mainland China.
- Said motions were approved by all attending directors unanimously.
8. 16th meeting of the Board of Directors of 2nd term on November 14, 2019 passed the following:
- (1) Motion to acquire the real estate by Lever Guide Biotech Co., Ltd. In Taipei City
- Said motions were approved by all attending directors unanimously.
9. 17th meeting of the Board of Directors of 2nd term on December 27, 2019 passed the following:
- (1) Motion to pass the transfer of the Company's internal audit officer.
 - (2) Motion to pass the Company's "Board of Directors Performance Appraisal" in 2019.
 - (3) Motion to pass the motion for the year-end bonus to the Company's managers in 2019.
 - (4) Motion to pass the remuneration to the Company's managers in 2020.
 - (5) Motion to pass the Company's 2020 business plan and budget.
 - (6) Motion to pass the Company's 2020 audit plan.
 - (7) Motion to pass the assessment on the competence and independence of the Company's independent auditor.
 - (8) Passed the motion for the appointment and remuneration of the Company's financial report CPA.
 - (9) Motion to acquire the real estate by Lever Guide Biotech Co., Ltd. In Taipei City.
- Said motions were approved by all attending directors unanimously.
10. 18th meeting of the Board of Directors of 2nd term on March 9, 2020 passed the following:
- (1) Motion to report the communication with the Company's stakeholders.
 - (2) Motion to report the renewed liability insurance for the Company's directors and managers.
 - (3) Motion to pass the Company's 2019 business report.
 - (4) Motion to acknowledge the Company's 2019 business report and financial statements.
 - (5) Motion to acknowledge the Company's 2019 distribution of earnings.
 - (6) Motion to passed the Company's 2019 "Statement on Internal Control System".
 - (7) The Company's 2019 remuneration to employees and directors/supervisors.
 - (8) Motion to amend the Company's "Articles of Incorporation".
 - (9) Motion to amend the Company's "Parliamentary Rules for Shareholders' Meeting".
 - (10) Motion to amend the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".
 - (11) Motion to amend the Company's "Parliamentary Rules for Board of Directors Meeting".
 - (12) Motion to amend the Company's "Corporate Social Responsibility Best Practice Principles".
 - (13) Motion to amend the Company's "Corporate Governance Best Practice Principles".
 - (14) Motion to amend the Company's "Articles of Association for Remuneration Committee".
 - (15) Motion to amend the Company's "Articles of Association for Audit Committee".
 - (16) Motion to reelect the Company's directors and independent directors of 3rd Term. (Including the name list of the candidates for the nomination and audit directors and independent directors)
 - (17) Motion to terminate the non-competition restrictions imposed on the new directors of 3rd term (including independent directors) and their representatives.
 - (18) Motion to accept the written proposal submitted by shareholders holding one percent or more of the Company's shares, or the period for accepting the nomination of director candidates and place designated for accepting the roster of director candidates nominated.
 - (19) Motion to convene the Company's 2020 general shareholders' meeting.
- Said motions were approved by all attending directors unanimously.

(II) Any other resolution(s) by the Board of Directors meetings passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for recusal and actual voting counts:

Board of Directors Meeting Date	Name of the Director Abstained	Motion Content	Reason for Conflict of Interest Abstention	Voting Participation Status
March 15, 2019	Black Praise International Limited (Representative: Li-Fen Luo), Talent Reach (HK) Limited (Representative: Huan-Wen Jao), Li-Chen Lin, Shih-Chinn Ho, Hsiao-Ling Chou, Yin-Chieh Hsu, Yin-Chieh Hsu	The Company's 2018 remuneration to employees and directors/supervisors.	Stakeholders receiving the remuneration to employees and directors	After each director and manager listen to the explanation about the conflict of interest involved in the decision of the remuneration to them personally, the director and manager recuse themselves from discussion and voting on their personal remuneration pursuant to laws.
June 26, 2019	Shih-Chinn Ho Yin-Chieh Hsu	Motion add the termination of the non-competition restriction imposed on the Company's directors	Stakeholders in the motion to terminate the non-competition restrictions imposed on directors	Director Shih-Chinn Ho and Independent Yin-Chieh Hsu, as stakeholders in the motion, recused themselves from discussion and voting on the termination of non-competition restriction on directors pursuant to laws, after listening to the explanation about conflict of interest.
November 8, 2019	Lih-Fen Luo (Representative of Black Praise International Limited Representative)	(1) Acquisition of right-of-use assets by the subsidiary in Taiwan. (2) Acquisition of right-of-use assets by the subsidiary in Mainland China.	As the stakeholders to the acquisition of right-of-use assets	Lih-Fen Luo, as a stakeholder to the right-of-use assets, recused herself from discussion and voting on the acquisition of right-of-use assets by the subsidiaries pursuant to laws, after listening to the explanation about conflict of interest.
December 27, 2019	Black Praise International Limited (Representative: Lih-Fen Luo), Talent Reach (HK) Limited (Representative: Huan-Wen Jao)	(1) Motion for the year-end bonus to the Company's managers in 2019 (2) Motion for the remuneration to the Company's managers in 2020	Stakeholders in the motions for year-end bonus to managers and remuneration to managers	Chairman Lih-Fen Luo, concurrently holding the position as CEO, and Director Huan-Wen Jao, concurrently holding the position as President, recused themselves from discussion and voting on the year-end bonus and remuneration pursuant to laws, after listening to the explanation about conflict of interest.
March 9, 2020	Black Praise International Limited (Representative: Lih-Fen Luo), Talent Reach (HK) Limited (Representative: Huan-Wen Jao), Li-Chen Lin, Shih-Chinn Ho, Hsiao-Ling Chou, Yin-Chieh Hsu, Yin-Chieh Hsu	(1) Motion to reelect the Company's directors and independent directors of 3rd Term. (2) Motion to terminate the non-competition restrictions imposed on the new directors of 3rd term (including independent directors) and their representatives.	(1) Director/ independent director candidates to be nominated and reviewed (2) Stakeholders in the motion to terminate the non-competition restrictions imposed on directors	(1) The directors and independent directors are the nominated candidates for the reelection of directors (including independent directors). After listening to the explanation about the conflict of interest, they recused themselves from discussion and voting on the nomination and review of director or independent director candidates pursuant to laws. (2) As stakeholders in the motion, the directors recused themselves from discussion and voting on the termination of non-competition restriction on them pursuant to laws, after listening to the explanation about conflict of interest.

III. Status of self (or peer) assessment by the Board of Directors

Cycle of Assessment	Period of Assessment	Scope of Assessment	Method of Assessment	Contents of Assessment
Once per year	2019	1. Board of Directors 2. Individual Board members 3. Functional committees	The internal self-assessment by the Board of Directors, self-assessment by the Board members, and internal self-assessment by the functional committees	(1) The performance appraisal on the Board of Directors covers the participation in the operation of the Company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control, etc.. (2) The performance appraisal on individual Board members covers the alignment with the goals and mission of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, director's professionalism and continuing education, and internal control, etc.. (3) The performance appraisal on functional committees covers the participation in the operation of the Company, awareness of the duties of functional committees, improvement of the quality of the functional committee' decision making, composition of the functional committees and election of the committee members, and internal control, etc..

(I) Explanation of appraisal:

The 2019 performance appraisal on the Board of Directors consisted of the self-assessment on the Board of Director's performance, self-assessment on the Board members' performance and self-assessment on the functional committees' performance, based on such appraisal indicators as the participation in the operation of the Company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control. The appraisal was conducted in the form of questionnaire which allowed the Board members (including independent directors) to participate in the performance appraisal on the Board of Directors. The appraisal results were already passed by the Board of Directors meeting on December 27, 2019 and served as the reference and basis for payment of the remuneration to directors.

(II) Status of appraisal and results

- (1) Self-assessment on the Board of Directors' performance (average scores): 99.00
Participating members: Chairman of Board and whole independent directors
- (2) Self-assessment on the Board members (average scores): 99.72
Participating members: Whole directors
- (3) Self-assessment on the functional committees' performance (average scores): 100.00
Participating members: Whole independent directors

The Company's Board of Directors consists of 7 directors (including 3 independent directors). Given the diversity policy on the Board members, directors with expertise in industry, finance, information and laws are appointed. Meanwhile, the Audit Committee and Remuneration Committee consist of 3 independent directors, respectively. The Company arranges directors to attend continuing education program each year. In May 2019, the Company sent the directors to attend the continuing education courses for directors offered by Taiwan Corporate Governance Association.

The Company convened a total of 9 Board of Directors meetings in 2019. The directors were supposed to attend the meetings for 63 counts, but attended the meetings for 61 counts actually. The directors' attendance at the Board of Directors meetings are considered fair, and so are the communication and interaction between the Board of Directors and the management team, audit officer and independent auditors. Meanwhile, the management team is asked to practice the corporate governance-related regulations, internal control system, and execution and followup of operating performance. Any director or manager who is required to recuse himself from related motions as stakeholder does recuse himself from the motions.

The Company's management team is able to provide the Board members with sufficient information to help them with decision making before a Board of Directors meeting, when submitting adequate motions for discussion at the Board of Directors meeting. Upon resolution of various motions by the Board of Directors, the management team is able to implement the motions, and periodically follow up and feed back the related progress thereof.

Upon evaluation, the entire Board of Directors is held functioning effectively.

IV. Measures undertaken during the current year and in the most recent year in order to strengthen the functions of the Board of Directors and assessment of their implementation

1. Enhance information transparency

The Company's operations are transparent and focus on shareholders' equity. Important motions will be announced via the Market Observation Post System (MOPS) immediately after each Board of Directors meeting. The Company is capable of preparing the financial reports independently. PwC Taiwan is retained to (review/audit) certify the financial reports (quarterly/annually). The Company also discloses the relevant information via MOPS pursuant to laws. Additionally, the Company's official website also has the investor and stakeholder areas that disclose relevant business information for review by shareholders and stakeholders.

2. The composition and structure of the Board of Directors improved and strengthened the management functions

The Company defines the diversity policy on the Board members in Article 20 of its Corporate Governance Best Practice Principles. The Company appoints 7 directors currently, including 3 female directors. The Board members have expertise in operation, management, finance, audit, economics, and information. Each member has practical experience in various fields accumulated for many years, and the plentiful knowledge and expertise that conform to the Company's operational needs and is helpful to the Company's future business management, internal control and industrial integration. Further, the Company has 3 independent directors form the Audit Committee and Remuneration Committee, respectively. Ms. Hsiao-Ling Chou serves as the convener of the Audit Committee and Remuneration Committee.

3. Continuing education of directors

On May 8, 2019, the Company arranged Taiwan Corporate Governance Association to provide the directors with the continuing education courses on "Explanation of Issues About Cross-Strait Investment, Joint Venture and M&A Laws & Regulations" and "Latest Development and Practices of AML/CTF". As the Company's directors attended the continuing education program in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", the requirements about continuing education of directors are considered satisfied.

4. Directors' participation in the operation of the Company and quality of the Board of Directors' decision making

The Company directors' attendance at the Board of Directors meetings are considered fair, and so are the communication and interaction between the Board of Directors and the management team, audit officer and independent auditors. Meanwhile, the management team is asked to practice the corporate governance-related regulations, internal control system, and execution and follow-up of operating performance. Any director or manager who is required to recuse himself from related motions as stakeholder does recuse himself from the motions.

(II) Audit Committee Operation Status:

From the most recent year (2019) to the publication date of this Annual Report, the Company's Audit Committee has held a total of 10 meetings (A). Among the 9 meetings held in 2019 and 1 meeting held in 2020, the presence (attendance) status for the three independent directors is stated as following:

Job title	Name	Actual attendance (B)	Number of Attendances by Proxy	Actual attendance rate (%) (B/A)	Notes
Independent Director	Hsiao-Ling Chou	9	1	90%	Member Yin-Chieh Hsu was appointed to chair 12th meeting of the Audit Committee of 1st term.
Independent Director	Yu-Che Wang	10	0	100%	
Independent Director	Yin-Chieh Hsu	10	0	100%	

Other Noteworthy Matters:

I. When one of the following situations occurred to the operations of the Audit Committee; state the date, period, and proposal contents of the Board of Directors meeting as well as the opinions of all members of the Audit Committee and the Company's actions in response to the opinions of the Audit Committee:

(I) Matters specified in Article 14.5 of Taiwan's Securities and Exchange Act:

The Company set up the Audit Committee on December 20, 2017. Matters listed in Article 14-5 of the Securities and Exchange Act are approved by the Audit Committee and then submitted to the Board of Directors.

1. 8th meeting of the Audit Committee of 1st term on March 15, 2019 passed the following:

- (1) Motion for the Company's 2018 Business Report and Financial Statement.
 - (2) Motion for the Company's 2018 annual surplus allocation.
 - (3) Undertake Surplus Capital Reserve New Share Issuance in Collaboration with the Company's 2018 Surplus Allocation Motion.
 - (4) Motion for the Company's "2018 Statement on Internal Control System".
 - (5) Motion for the assessment of the independent auditor's competency and independence.
 - (6) Motion to amend the Company's "Articles of Incorporation".
 - (7) Motion to amend the Company's "Parliamentary Rules or Board of Directors Meeting".
 - (8) Motion to amend the Company's "Parliamentary Rules for Shareholders' Meeting".
 - (9) Motion to amend the Company's "Rules for Election of Directors".
 - (10) Motion to increase the amount of the Chairman's authorization for capital preservation financial products.
- Said motions were approved by all attending Committee member unanimously.

2. 9th meeting of the Audit Committee of 1st term on May 8, 2019 passed the following:

- (1) Motion to report the Q1 2019 consolidated financial statements of the Company.
 - (2) Motion to pass the additions to the Company's "Standard Operating Procedures for Responding to Requests from Directors".
 - (3) Motion to pass the establishment of "Zhangzhou Healthy Skin Clinic Co., Ltd.".
 - (4) Motion to pass the reinvestment in companies in Taiwan.
 - (5) Motion to pass the authorization to the Chairman to handle bank account opening matters on behalf of the Company.
- Said motions were approved by all attending Committee member unanimously.

3. 10th meeting of the Audit Committee of 1st term on June 13, 2019 passed the following:

- (1) Motion to acquire the factory office for the subsidiary, Lever Guide Biotech Co., Ltd..
 - (2) Motion to pass the application for financing with the bank by the subsidiary, Lever Guide Biotech Co., Ltd..
- Said motions were approved by all attending Committee member unanimously.

4. 11th meeting of the Audit Committee of 1st term on June 26, 2019 passed the following:

- (1) Motion to set the Company's ex-dividend and ex-right record dates and distribution of stock dividends.
 - (2) Motion to pass the facility application to be filed by Lever Guide Biotech Co., Ltd. With the bank.
 - (3) Motion to add the termination of the non-competition restriction imposed on the Company's directors.
- Said motions were approved by all attending Committee member unanimously.

5. 12th meeting of the Audit Committee of 1st term on August 6, 2019 passed the following:

- (1) Motion to report the Q2 2019 consolidated financial statements of the Company.
- (2) Motion to amend the Company's "Regulations Governing Performance Appraisal on Board of Directors".
- (3) Motion to amend the Company's "Operating Procedures for Endorsement and Guarantee".

(4) Motion to amend the Company's "Operating Procedures for Loaning Funds to Others".

Said motions were approved by all attending Committee member unanimously.

6. 13th meeting of the Audit Committee of 1st term on October 3, 2019 passed the following:

(1) Motion to pass the establishment of new company through investment by the subsidiary, Huiwenli (Fujian) Cosmetics Co., Ltd.

(2) Motion to pass the Juwenlee (Fujian) Cosmetics Co., Ltd.'s factory premises expansion program.

(3) Motion to pass the acquisition of offices through the subsidiary, Juwenlee (Fujian) Cosmetics Co., Ltd., in Ximen City.

Said motions were approved by all attending Committee member unanimously.

7. 14th meeting of the Audit Committee of 1st term on November 8, 2019 passed the following:

(1) Motion to report the Q3 2019 consolidated financial statements of the Company.

(2) Motion to pass the amendments to the project for establishment of new company through investment by the Mainland subsidiary, Huiwenli (Fujian) Cosmetics Co., Ltd.

(3) Motion to pass the application or facility by the subsidiary with the bank and the endorsement/guarantee made by the Company for the subsidiary.

(4) Motion to pass the acquisition of right-of-use assets by the subsidiary in Taiwan.

(5) Motion to pass the acquisition of right-of-use assets by the subsidiary in Mainland China.

Said motions were approved by all attending Committee member unanimously.

8. 15th meeting of the Audit Committee of 1st term on November 14, 2019 passed the following:

(1) Motion to acquire the real estate by Lever Guide Biotech Co., Ltd. In Taipei City.

Said motions were approved by all attending Committee member unanimously.

9. 16th meeting of the Audit Committee of 1st term on December 27, 2019 passed the following:

(1) Motion to pass the transfer of the Company's internal audit officer.

(2) Passed the motion for the Company's 2020 annual operating plan and budget.

(3) Motion to pass the Company's 2020 audit plan.

(4) Motion to pass the assessment on the competence and independence of the Company's attesting CPA.

(5) Passed the motion for the appointment and remuneration of the Company's financial report CPA.

(6) Motion to acquire the real estate by Lever Guide Biotech Co., Ltd. In Taipei City.

Said motions were approved by all attending Committee member unanimously.

10. 17th meeting of the Audit Committee of 1st term on March 9, 2020 passed the following:

(1) Motion to acknowledge the 2019 business report and financial statements.

(2) Motion to acknowledge the 2019 distribution of earnings.

(3) Passed the motion for the Company's 2019 "Internal Control System Declaration".

(4) Motion to pass the 2019 Audit Committee Inspection Report.

(5) Motion to reelect the Company's directors and independent directors of 3rd Term. (Including the name list of the candidates for the nomination and audit directors and independent directors)

(6) Motion to terminate the non-competition restrictions imposed on the new directors of 3rd term (including independent directors) and their representatives.

Said motions were approved by all attending Committee member unanimously.

(II) Resolutions passed by two-thirds of all directors but without approval of the Audit Committee except for the preceding item: None.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for recusal and actual voting counts:

Date	Name of Independent Director	Motion Content	Reason for Conflict of Interest Abstention	Voting Participation Status
June 26, 2019	Yin-Chieh Hsu	Motion to terminate the non-competition restriction imposed on the Company's directors	Stakeholders in the motion to terminate the non-competition restrictions imposed on directors	Independent Yin-Chieh Hsu, as a stakeholder in the motion, recused himself from discussion and voting on the termination of non-competition restriction on directors pursuant to laws, after listening to the explanation about conflict of interest.
March 9, 2020	Hsiao-Ling Chou Yu-Che Wang Yin-Chieh Hsu	(1) Motion to reelect the Company's directors and independent directors of 3rd Term. (2) Motion to terminate the non-competition restrictions imposed on the new directors of 3rd term (including independent directors) and their representatives.	(1) Director/independent director candidates to be nominated and reviewed (2) Stakeholders in the motion to terminate the non-competition restrictions imposed on directors	(1) The members are the nominated candidates for the reelection of independent directors. After listening to the explanation about the conflict of interest, they recused themselves from discussion and voting on the nomination and review of director or independent director candidates pursuant to laws. (2) As stakeholders in the motion, the directors recused themselves from discussion and voting on the termination of non-competition restriction on them pursuant to laws, after listening to the explanation about conflict of interest.

III. Communication between independent directors and internal audit officers as well as CPAs on the Company's finance and business (such as items discussed, means of communication and results, etc.)

The Company's internal audit officers send the internal audit report to the independent directors periodically, in order to report the execution of the internal audit and audit results. Additionally, the Company's Audit Committee consists of the whole independent directors. The internal audit officers will report the audit results to the Audit Committee periodically, including the key inspection opinion on execution of the audit plan, internal operations, internal auditors' training and internal/external audits, and status of improvement thereof. CPAs will report to the independent directors on the Company's financial position, overall operations and internal audit on a quarterly basis, and communicate with the independent directors about the effect to the account entries by important adjusting journal entries or amendments to laws and regulations, if any.

Communication between independent directors and internal audit officers in 2019

Date/Session	Scope of Communication	Communication Results
March 15, 2019 8th meeting of the Audit Committee of 1st term	1. Status of internal control audit in Q4 of 2018 2. 2018 "Statement on Internal Control System" 3. Amendments to the Company's "Articles of Incorporation", "Parliamentary Rules for Board of Directors Meeting", "Parliamentary Rules for Shareholders' Meeting" and "Rules for Election of Directors" in response to the latest amendments to related laws and regulations by the competent authority.	No objection. The Audit Committee's statement on internal control and amendments to the articles of incorporation and regulations have been submitted to the Board of Directors and shareholders' meeting for approval, and were announced and reported to the competent authority as scheduled.
May 8, 2019 9th meeting of the Audit Committee of 1st term	1. Status of internal control audit in Q1 of 2019. 2. Addition to the Company's "Standard Operating Procedures for Responding to Requests from Directors".	No objection.
August 6, 2019 12th meeting of the Audit Committee of 1st term	1. Status of internal control audit in Q2 of 2019. 2. Amendments to the Company's "Regulations Governing Performance Appraisal on Board of Directors", "Operating Procedures for Endorsement and Guarantee" and "Operating Procedures for Loaning Funds to Others" in response to the latest amendments to related laws and regulations by the competent authority.	No objection.
November 8, 2019 14th meeting of the Audit Committee of 1st term	Status of internal control audit in Q3 of 2019	No objection.
December 27, 2019 16th meeting of the Audit Committee of 1st term	1. Status of internal control audit in Q4 of 2019. 2. Assessment on the independent auditor's competency and independence. 3. 2020 audit plan 4. Intra-company transfer of internal auditor officer in response to the Group's business needs.	The Audit Committee passed the annual audit plan and transfer of the internal control officer, and the motions have been submitted to the Board of Directors for approval, and were announced and reported to the competent authority as scheduled.

Status of communication between independent directors and CPAs in 2019

Date/Session	Scope of Communication	Communication Results
<p align="center">March 15, 2019 8th meeting of the Audit Committee of 1st term</p>	<ol style="list-style-type: none"> 1. Explain the material adjustment on the audit on financial statements and income 2018, and report on the scope, method and findings of the assessment on internal control. 2. Discuss and communicate about the questions raised by independent directors toward the financial statements. 3. Communicate about the Key Audit Matters (KAM) in the audit report 4. Remarks on the effect of amendments to the latest amendments to laws and regulations and application of the new statement of standards. 	<p>The annual financial report was approved by the Audit Committee, and submitted to the Board of Directors and shareholders' meeting for approval, and announced and reported to the competent authority as scheduled.</p>
<p align="center">May 8, 2019 9th meeting of the Audit Committee of 1st term</p>	<ol style="list-style-type: none"> 1. Explain the material adjustment on the audit on financial statements and income of Q1 2019 2. Discuss and communicate about the questions raised by independent directors toward the financial statements. 3. Remarks on the latest financial reporting laws and regulations. 	<p>The financial report was approved by the Audit Committee, and submitted to the Board of Directors for approval, and announced and reported to the competent authority as scheduled.</p>
<p align="center">August 6, 2019 12th meeting of the Audit Committee of 1st term</p>	<ol style="list-style-type: none"> 1. Explain the material adjustment on the audit on financial statements and income of Q2 2019. 2. Discuss and communicate about the questions raised by independent directors toward the financial statements. 3. Remarks on the latest financial reporting laws and regulations. 	<p>The financial report was approved by the Audit Committee, and submitted to the Board of Directors for approval, and announced and reported to the competent authority as scheduled.</p>
<p align="center">November 8, 2019 14th meeting of the Audit Committee of 1st term</p>	<ol style="list-style-type: none"> 1. Explain the material adjustment on the audit on financial statements and income of Q3 2019 2. Discuss and communicate about the questions raised by independent directors toward the financial statements. 3. Remarks on the latest financial reporting laws and regulations. 	<p>The financial report was approved by the Audit Committee, and submitted to the Board of Directors for approval, and announced and reported to the competent authority as scheduled.</p>

(III) Corporate Governance Operation Status and deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Corporate Governance Operation Status and deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Item	Operation Scenario			Reason for the Corporate Governance Practice Differences Compared to TWSE/TPEX Listed Companies
	Yes	No	Brief Description	
I. Has the Company formulated and disclosed its "Corporate Governance Best Practice Principles" pursuant to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established a "Corporate Governance Best Practice Principles" and disclosed it on the company's website.	No major difference.
II. Company Shareholding Structure and Shareholders' Equity				
(I) Has the Company established an internal operating procedure to address shareholders' recommendations, doubts, and disputes, as well as litigation matters, and implemented the procedure?	✓		(I) The Company's "Corporate Governance Best Practice Principles" has established the relevant provision, and provided an <i>ad litem</i> agent and <i>non-ad litem</i> agent, spokesperson and deputy spokesperson dedicated to handle shareholders' recommendations, doubts and disputes, as well as litigation matters.	No major difference.
(II) Does the Company have a list of the major shareholders and ultimate controllers of major shareholders with actual control?	✓		(II) The Company periodically follows up on a monthly basis, and discloses pursuant to laws, the information about the shareholdings by directors, managers, and shareholders holding over 10% of the shares based on the information provided by the shareholder services agent. Therefore, the Company has controlled a list of the major shareholders and ultimate controllers of major shareholders with actual control.	No major difference.
(III) Has the Company established and implemented a risk control and firewall mechanism between affiliates?	✓		(III) The Company has established "Operating Regulations Governing Supervision of Subsidiaries" and "Operating Regulations Governing Transactions with Related Parties". The businesses and finances between the Company and its affiliates are independently divided, in order to establish and execute the appropriate risk control mechanisms and firewalls.	No major difference.
(IV) Does the Company have internal regulations that prohibit Company insiders from buying or selling securities using unpublished market information?	✓		(IV) The Company has adopted the "Regulations Governing Prevention of Insider Trading" and "Operating Procedures for Handling Internal Material Information" to prohibit the Company insiders from buying or selling securities using unpublished market information. In response to the policy promoted by the competent authority, the Company will provide directors and managers with the "TWSE Listed Companies' Insider Equity Trading Q&A Promotional Manual" and information about insider trading prevention courses and presentations from time to time. Meanwhile, the Company will conduct the training about prevention of insider trading for the senior management each year.	No major difference.
III. Composition and Duties of the Board of Directors				
(I) Has the Board of Directors formulated a member composition diversification policy and implemented it accordingly?	✓		(I) The Company defines the diversity policy on the Board members in Article 20 of its Corporate Governance Best Practice Principles. The Company appoints 7 directors currently, including 3 female directors. The Board members have expertise in operation, management, finance, audit, economics, and information. Each member has practical experience in various fields accumulated for many years, and the plentiful knowledge and expertise that conform to the Company's operational needs and is helpful to the Company's future business management, internal control and industrial integration. For	No major difference.

Evaluation Item	Operation Scenario			Reason for the Corporate Governance Practice Differences Compared to TWSE/TPEX Listed Companies
	Yes	No	Brief Description	
<p>(II) In addition to establishing the Remuneration Committee and Audit Committee pursuant to the law, has the Company voluntarily set up other types of functional committees?</p> <p>(III) Has the Company established the regulations governing performance evaluation on Board of Directors and the evaluation method, and conducted the performance evaluation periodically each year, and submitted the performance evaluation results to the Board of Directors, and taken it as the reference for remuneration to individual directors and nomination?</p> <p>(IV) Has the Company regularly assessed the independence of the independent auditors?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>diversified composition of the Board of Directors, please refer to the following assessment on diversity policy on the Board of Directors.</p> <p>(II) The Company currently has no need to set up other functional committees, and will evaluate the need to establish such committees in the future.</p> <p>(III) The Company has adopted the Regulations Governing Performance Appraisal on Board of Directors, and already updated the same in response to the latest laws and regulations promulgated by the competent authority. The Company conducts the performance appraisal on the Board of Directors and functional committees for once per year. The appraisal results are reported to the Board of Directors meeting and serve as the reference for payment of the remuneration to directors and nomination.</p> <p>(IV) The Company has adopted the “Regulations Governing Appraisal on Independence and Performance of Independent Auditors” and conducted the assessment on independence and competence of independent auditors periodically, including term of office, employment relationship, accounting audit, and interaction with the Company's directors and management, and access to the independent auditor's statement on independence, and submitted the results to Audit Committee and Board of Directors. The Company's appraisal results for the most recent year was resolved and passed by the Board of Directors meeting on December 27, 2019.</p>	<p>To be established whenever it is necessary.</p> <p>No major difference.</p> <p>No major difference.</p>
IV. Whether the TWSE/TPEX listed company assigns the adequate number of competent corporate governance officers, and appoints the chief corporate governance officer responsible for the corporate governance affairs (including but not limited to, providing directors/supervisors with the information needed to perform their duties, helping directors/supervisors with compliance, organization of the Board of Directors meetings and shareholders' meetings, and preparation of board meeting and shareholders' meeting minutes, etc.)?	✓		The Secretariat Office of the Company's Board of Directors is responsible for promoting the corporate governance affairs, including providing directors with the information required by them to perform their duties, providing the information about the latest changes in the laws and regulations promulgated by the competent authority from time to time, and taking charge of the affairs related to shareholders' meetings and Board of Directors.	No major difference.
V. Does the Company establish a communication channel for the stakeholders (including but not limited to, shareholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and respond to the stakeholders regarding their concerns over corporate social responsibilities?	✓		The Company has established a spokesperson and deputy spokesperson system. The relevant contact information is disclosed on the MOPS. The Company's website provides the stakeholder section via which the stakeholders may express the issues concerned by them. By the function of the issue, the Company delegates dedicated (concurrent) unit to maintain fair communication with the stakeholders.	No major difference.
VI. Does the Company have commissioned a professional stock service agent to handle shareholders affairs?	✓		The Company has commissioned the professional shareholder services agent, “SinoPac Securities Co., Ltd.”, to handle the shareholder services on behalf of the Company.	No major difference.
VII. Information Disclosure				
(I) Has the Company established a website to disclose financial business and corporate governance information?	✓		(I) The Company established a corporate website to fully disclose financial business and corporate governance information.	No major difference.
(II) Has the Company adopted other information disclosure methods (if an English website has been established, has a dedicated person been appointed to collect and disclose the Company's information, execute	✓		(II) The Company has a corresponding dedicated unit responsible for the collection and disclosure of the various information of the Company. The Company has set up spokespersons and agency spokespersons as required.	No major difference.

Evaluation Item	Operation Scenario			Reason for the Corporate Governance Practice Differences Compared to TWSE/TPEX Listed Companies
	Yes	No	Brief Description	
the spokesperson system, or place the legal person briefing process in the Company website)? (III) Whether the Company announces and reports the annual financial report within two months at the end of each fiscal year, and the financial report for Q1, Q2 and Q3 and monthly operation overview before the prescribed time limit?		✓	(III) The Company announces and reports the annual financial report within the statutory time limit, and the financial report for Q1, Q2 and Q3 and monthly operation overview before the prescribed time limit.	No major difference.
VIII. Does the Company have other important information that can facilitate understanding towards the Company's corporate governance (including, but not limited to, employee rights, employee care, investor relations, supplier relationships, stakeholder rights, director and supervisor training status, risk management policies and metrics implementation status, customer policy implementation status, and director and supervisor insurance purchase status by the Company)?	✓		(I) The Company has a harmonious labor relationship, and has protected the legitimate rights and interests of employees according to the labor laws of each operating location. The Company has neither experienced major labor disputes nor been punished by the competent authorities for major labor problems or major labor law violations. (II) The Company provides reasonable salary remuneration, cultural and recreational activities, and preferential purchase prices to employees. The employers and employees have established a good mutual trust relationship. (III) The Company has established a corporate website and spokesperson system in order to ensure the relevant financial business information and major information is reported via MOPS and in a timely manner to protect the rights of investors. (IV) The Company has operated in good faith, conducted fair transactions with suppliers, and clearly provided that suppliers are strictly prohibited from bribery. (V) Stakeholders can communicate and make suggestions through the channels provided by the Company in order to safeguard their legitimate rights and interests. (VI) The Company voluntarily retains the professional institution to offer the continuing education courses for directors at the Company's premises. The members of the Company's Board of Directors have completed the training hours according to the regulations and kept concerning the corporate governance-related information. (VII) The Company uses its best efforts to encourage managers to attend the corporate governance-related courses, and organizes the corporate governance courses and communication meetings from time to time. (VII) The Company attaches great importance to the customer's rights and interests, and set the customer complaint mailbox which is handled by the dedicated personnel. (IX) The Company has established the relevant regulations on director liability insurance in the "Corporate Governance Best Practice Principles," and purchased liability insurance for directors and managers.	No major difference.
IX. Please specify the Company's measures to improve the items listed in the corporate governance review result by the Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. (Not required for non-evaluated companies): The Company is a non-evaluated company.				

Assessment on Diversity Policy on the Board of Directors

Board members	Gender	Concurrently serving as the Company's manager	Seniority as independent director		Industrial experience					Abilities required by composition of the Board of Directors							
			No more than 9 years	Over 9 years	Biotech and Medical Treatment	Finance	IT	Law	Academic Research	Make Judgment About Operations	Financial And Accounting Analysis	Business Management	Crisis Management	Industrial Knowledge	International Market	Leadership	Ability To Make Decision
Lih-Fen Luo	Female	V	-	-	V					◎	◎	◎	◎	Bio	◎	◎	◎
Huan-Wen Jao	Male	V	-	-	V					◎	◎	◎	◎	Bio	◎	◎	◎
Li-Chen Lin	Female	-	-	-				V		○	○	◎	◎	Law	○	◎	◎
Shih-Chinn Ho	Male	-	-	-	V		V			◎	○	◎	◎	IT	○	◎	◎
Hsiao-Ling Chou	Female	-	V	-		V				○	◎	◎	○	Finance	◎	◎	◎
Yu-Che Wang	Male	-	V	-		V			V	○	◎	◎	○	Finance	◎	○	◎
Yin-Chieh Hsu	Male	-	V	-				V		○	○	◎	◎	Law	○	◎	◎

Note: “◎” refers to the possession of the professional ability, while “○” refers to the possession of the ability in part.

(IV) Composition, Duties, and Operation of the Remuneration Committee

1. Remuneration Committee Member Information

Identity Status (Note 1)	Qualification Name	Meet one of the following professional requirements, together with at least five years of work experience.			Conform to independence status((Note 3)										Number of positions as an Independent Director in other public companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Have work experience in the areas of commerce, law, finance, or accounting, or areas otherwise necessary for the business of the Company;	1	2	3	4	5	6	7	8	9	10		
Independent director	Hsiao-Ling Chou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	
Independent Director	Yu-Che Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	
Independent Director	Yin-Chieh Hsu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Note 2

Note 1: Please fill-in as a director, independent director, or other.

Note 2: Remuneration Committee Member Yin-Chieh Hsu also served as the remuneration committee member of Allied Biotech Corporation concurrently.

Note 3: Please “✓” the corresponding boxes if the members have satisfied any of the following conditions during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the managers in the subparagraph (1) or any of the persons in the subparagraphs (2) & (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that designates its representative to act as the director or supervisor of the Company under Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (6) Not a director, supervisor or employee of a company of which the director seats or a majority of voting shares and those of the Company are controlled by the same person (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (7) Not a director, supervisor or employee of a company or institution that is the same person or spouse of the Company's Chairman, President or equivalents (unless the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relationship with the Company (unless the specific or institution holds more than 20% but less than 50% of the total number of issued shares of the Company, and the person is an independent director appointed by the Company and its parent company or subsidiaries, or subsidiaries subordinated to the same parent company pursuant to the Act or the local laws and regulations).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, managerial officer of a sole proprietorship, partnership, company, or institution that, provides audit services, or the commercial, legal, financial or accounting services, which have earned no more than NT\$500,000 cumulatively for the most recent two years, to the Company or to any affiliate of the Company, or the spouse thereof. Notwithstanding, this shall not apply to the members of Remuneration Committee, Public Tender Offers Review Committee or Special Committee under Taiwan Business Mergers and Acquisitions Act, who perform duty pursuant to the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

2. Duties of the Salary Remuneration Committee

The Company's Remuneration Committee faithfully fulfills the following functions and powers with the duty of a good manager according to procedures, and submits recommendations to the Board of Directors for discussion:

- I. Regularly review the organization procedures of the Remuneration Committee and propose amendment recommendations.
- II. Formulate and regularly review the standard, annual and long-term performance targets about the performance appraisal on the Company's directors and managers, and the policies, systems, standards, and structure for the remuneration, and disclose the performance appraisal standards in the annual report.
- III. Regularly assess the performance target achievements of the Company's directors, supervisors, and managers, and set the contents and amount of their individual remuneration based on the appraisal results generated according to the performance appraisal standards. The annual report shall disclose the individual performance appraisal on directors and managers, and contents and amount of the individual remuneration, and its connection with the performance appraisal result, and rationality, which shall be reported at a shareholders' meeting.

3. Salary Remuneration Committee Operating Status Information:

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Duration of service: from December 20, 2017 to November 29, 2020. From the most recent year (2019) to the publication date of this Annual Report, the Company's Remuneration Committee has held a total of three meetings (A). Among the two meetings held in 2019 and one meeting held in 2020, the attendance status for the Committee Members is as follows:

Job title	Name	Actual attendance (B)	Number of Attendances by Proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Hsiao-Ling Chou	3	0	100%	
Committee member	Yu-Che Wang	3	0	100%	
Committee member	Yin-Chieh Hsu	3	0	100%	

Other Noteworthy Matters:

- I. If the Board of Directors does not adopt or amend the recommendations of the Compensation and Remuneration Committee, it shall state the date and time of the Board of Directors meeting, the content of the proposal, the results of the resolution of the Audit Committee, and how the Company handles the opinions of the Audit Committee (if the salary adopted by the Board of Directors is better than the recommendations of the Salary and Remuneration Committee, clarify the status and cause of the difference): None.
- II. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: No member has voiced opposing or qualified opinions against the resolutions made by the Remuneration Committee for the most recent year. Information concerning the resolution made by the Remuneration Committee and the Company's handling thereof:

Meeting Date/Term	Motion Content	Resolution	Handling of the opinion
March 15, 2019 4th at 1st term	(1) Motion for "Board of Directors Performance Appraisal" in 2018 (2) Remuneration to employees and directors/supervisors in 2018	(1)~(2) The motion was approved all attending Committee members unanimously.	(1)~(2) Execute related operations per the motion after the motion was passed by the Board of Directors and shareholders' meeting.
December 27, 2019 5th at 1st term	(1) Motion for "Board of Directors Performance Appraisal" in 2019 (2) Motion for the year-end bonus to managers in 2019 (3) Motion for the remuneration to managers in 2020	(1)~(3) The motion was approved all attending Committee members unanimously.	(1) Execute related operations per the motion after the motion was passed by the Board of Directors and reported at a shareholders' meeting. (2)~(3) Execute related operations per the motion the motion was passed by the Board of Directors.
March 9, 2020 6th at 1st term	The Company's 2019 remuneration to employees and directors/supervisors	The motion was approved all attending Committee members unanimously.	Already passed by the Board of Directors, and to be reported at the shareholders' meeting in 2020.

(V) Fulfillment of corporate social responsibility: Systems and measures executed for environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health, and other social responsibility activities as well as the implementation status.

Fulfillment of corporate social responsibility, and deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Item	Operation Scenario			Differences and Their Root Causes with Regards to the CSR Code of Practices for Publicly Traded Companies
	Yes	No	Brief Description	
I. Whether the Company conducts the risk assessment on the environment, society and corporate governance issues concerning the Company's operations in accordance with the materiality principle, and adopt related risk management policies or strategies? (Note 1)	✓		With reference to the significant effects (issues) expected to be rendered by the environment, society and corporate governance on the investors and other stakeholders, the Company has the Group's President's Office direct the assessment on the risk over the related issues and adopt responsive measures. The reporting and communication system is established inside the Company to ensure that the responsive strategies may be communicated precisely and the status may be controlled in a timely manner. If necessary, related personnel will be arranged to form the dedicated taskforce responsible for researching and adopting responsive strategies and implementing the same.	No major difference.
II. Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	✓		The Company has the Group President's Office responsible for promoting corporate social responsibility-related work and reporting the same to the Board of Directors.	No major difference.
III. Environmental issues				
(I) Has the Company established an appropriate environmental management system according to the specific nature of the industry?	✓		(I) The production unit of the Company has passed the local environmental impact assessment, commissioned professional recycling institutions to handle waste, discharged domestic pollution according to regulations, and complied with the relevant laws and regulations.	No major difference.
(II) Has the Company endeavored to maximize the use of the various resources and utilize renewable materials that have the least environmental impact?	✓		(II) The Company has collaborated with community environmental policies and is committed to waste sorting, resource recycling, and using non-toxic and harmless materials for its products in order to prevent harm to the environment. At the same time when the Brand is committed to spreading the beauty, it is also making contribution to purify the environment and reduce carbon for the earth.	
(III) Whether the Company assesses the potential risk and opportunity posed by climate changes to the enterprise, now and in the future, and takes responsive measures related to climate issues?	✓		(III) The Company follows relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business activities. The Company's managers will assess the effect produced by climate changes and global warming to the market trends each year, and also seek the ingredients and materials satisfying the requirements about reduction of energy consumption and eco-friendly effect for the formula and packaging materials of new products. Through the irregular promotion of energy conservation in the past years, the various brands have been able to recall empty cosmetics bottles for recycling or reuse voluntarily. Meanwhile, all of the employees have practiced the action by turning off lights immediately before leaving office. The awareness toward sustainability and environmental protection was already integrated into the Company's enterprise culture.	
(IV) Whether the Company gathers the statistics about the annual greenhouse gas emission, water consumption and gross weight of waste for the past two years, and adopts			(IV) The Company adopts the environmental protection-related management policies and practices various environmental protection and remediation actions, in line with the local	

Evaluation Item	Operation Scenario			Differences and Their Root Causes with Regards to the CSR Code of Practices for Publicly Traded Companies
	Yes	No	Brief Description	
policies for energy conservation and carbon reduction, greenhouse gas reduction, reduction of water consumption or management of other waste goods?	✓		governments' policies applicable within the jurisdictions where the subsidiaries are located. The Company is primarily engaged in R&D, production and sale of skin care products. In consideration of the Company's business type, the Company is used to practicing the environmental protection policy in its routine operations and production process, including the control over water consumption (22,250 tons in 2018 and 22,651 tons in 2019), product containers and packaging materials made of eco-friendly materials, safe disposal of waste generated in the process of production by compliance suppliers in the eco-friendly manners, and periodic engagement of a third testing entity to test whether the Company's waste water and noise disposal satisfies the related environmental protection regulations and standards. Meanwhile, the Company promotes the energy conservation and carbon reduction actively, and the office premises is installed with the environmental protection slogans to practice the awareness toward energy conservation and carbon reduction in the employees' routine operations.	
IV. Social issues				
(I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human rights conventions?	✓		(I) The Company's human resources employment policy does not have differential treatments based on gender, race, social class, age, marriage, and family status. The Company strives to achieve equality and fairness in employment, hiring conditions, salary, benefits, training, assessment, and promotion opportunities. The relevant regulations are being practically implemented.	No major difference.
(II) Whether the Company adopts and implements reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.), and reflects the operating performance or results to the remuneration to employees adequately?	✓		(II) The Company's remuneration system conforms to the industry standards, and the Company has conducted regular employee performance appraisal as basis for future salary adjustment and promotion. The Company has established a staff reward and punishment system with clear reward and punishment standards.	
(III) Whether the Company provides the existence of a safe and healthy work environment; regular safety and health training to employees?	✓		(III) The Company has displayed clear fire and safety escape routes at various locations, regularly inspected the fire-fighting facilities, dispatched common medicine and first aid supplies, and regularly promoted safety and health precautionary items. The Company provides safe and healthy workplace with ISO 45001.	
(IV) Whether the Company establishes some effective career development training plan for employees?	✓		(IV) The Company has clear ranking levels whereby excellent employees are gradually promoted according to their performance. Functional related posts are filled via departmental transfers or the transfer mechanism within the group to give employees room to grow.	
(V) Whether the Company complies with the related laws and international practices with respect to customers' health and safety, customers' privacy, marketing and labeling for its products and services, and adopts related consumers protection policy and complaining procedures?	✓		(V) The Company's important subsidiary, JUWENLEE, has obtained international cosmetics production system quality certifications such as ISO22716, ISO14001 (EU) and GMPC (USA). The Company also renews the related certifications periodically. For example, the Company has renewed the ISO14001 certification until February 23, 2022 on February 24, 2019, and renewed the ISO22716 certification from July 16, 2019 to July 15, 2022. The Company has established R&D, procurement, production, services, and other relevant internal control protocols; followed the specifications accordingly; and reasonably assured transparency and safety of product and service information. Any consumer rights violation can be handled by the dedicated customer service unit through the customer service hotline. Meanwhile, the Company establishes the periodic review, feedback and related procedure optimization mechanisms.	

Evaluation Item	Operation Scenario			Differences and Their Root Causes with Regards to the CSR Code of Practices for Publicly Traded Companies
	Yes	No	Brief Description	
(VI) Whether the Company adopts any specific suppliers' management policy demanding that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or labors' human rights, and how the policy is implemented?	✓		(VI) Article 28 of the "Corporate Governance Best Practice Principles" established by the Company provides the assessment requirements related to the environmental and social impacts that procurement have on the source community in order to strengthen cooperation with suppliers and cooperate to enhance corporate social responsibility. The Company has adopted the "Suppliers' Management Policy" requiring that the procurement unit should check whether the supplier violates the environmental protection and safety rules, and include the environmental protection and safety issues into the performance appraisal on suppliers. If a supplier has caused a major environmental or social impact, the Company will stop its partnership in due course.	
V. Whether the Company prepares the report disclosing the Company's non-financial information, such as CSR report, based on the guidelines or directions for preparation of reports applicable internationally? Whether said report has been assured or guaranteed by a third party certification unit?		✓	The Company has not yet compiled a CSR report. Notwithstanding, the Company's CSR related information is fully disclosed in its Annual Reports and on its corporate website.	No major difference.
VI. If the Company has drafted its Corporate Social Responsibility Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies," please state its current practices and any deviations from the Best Practice Principles: The Company has established the "Code of Practice on Corporate Social Responsibility" and continued to implement according to the relevant regulations.				
VII. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: The Company's CSR related information is disclosed on its corporate website from time to time, subject to the implementation and communication status.				

Note 1: The materiality principle applies when the issues about environment, society and corporate governance render material effects to the Company's investors and other stakeholders.

(VI) The Company's Ethical Operation Fulfillment Status and Measures Adopted

Fulfillment of ethical corporate management, and deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof

Evaluation Item	Operation Scenario			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof
	Yes	No	Brief Description	
I. Establish Ethical Operation Policies and Programs				
(I) Whether the Company adopts the ethical management policy approved by the Board of Directors, and expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and senior management in its Articles of Incorporation and public documents, and discloses it on the Company's website?	✓		(I) The Company has established the "Code of Ethical Operation" and the "Ethical Operating Procedures and Behavior Guideline." They have passed the Board of Directors resolution and serve as the Company's integrity management policy and operational guidelines. Meanwhile, the Board of Directors passed the adoption of the "Regulations Governing Handling of Whistle-Blowing Against Misconduct and Immoral or Unethical Conduct" to enhance the practicing of ethical corporate management. Said principles are all disclosed on the Company's website. The Company's Board of Directors and senior management issue the statement on compliance with the ethical management policy, and use their best efforts to practice the undertaking about ethical management in the Company's routine operations.	No major difference.
(II) Whether the Company establishes the assessment mechanism about unethical conduct to analyze and assess the operating activities with higher risk of unethical conduct in the scope of business periodically, and adopts the unethical conduct prevention program based on the mechanism, which shall at least cover the prevention measures referred to in the subparagraphs of Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies"?	✓		(II) The "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" adopted by the Company already cover the prevention measures referred to in the subparagraphs of Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and clearly stipulated the various handling, punishment and incentive, appeal, and recording operation procedures for violations of ethical management. Meanwhile, the Company's Board of Directors has passed the "Regulations Governing Handling of Whistle-Blowing Against Misconduct and Immoral or Unethical Conduct". In the case of any bribery or anti-bribery incident, they can be reported for punishment or reward immediately. Also, the Internal Audit Office would report to the Board of Directors periodically. Therefore, the related systems are considered being practiced precisely.	
(III) Whether the Company expressly states the SOP, guidelines and reward and disciplinary & complaining systems in the unethical and the conduct prevention program, implements the same precisely, reviews amendments to said program?	✓		(III) In its "Procedures for Ethical Management and Guidelines for Conduct", the Company has identified business activities that are more likely to involve unethical behavior risks, and the relevant operating rules have been established. The Internal Audit Office would conduct review on them and make amendments thereto periodically. In addition, employees must sign a confidentiality agreement on the first day of reporting to work to allow the Company issue corresponding dispositions in the case of violation of the relevant terms of the contract.	
II. Implementation of ethical management				
(I) Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	✓		(I) The Company has collected as much credit status and industry reputation related information regarding its trading counterparts as possible before trading with them. Meanwhile, the Company's trading contracts would also expressly state the ethical conduct clauses.	No major difference.

Evaluation Item	Operation Scenario			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof
	Yes	No	Brief Description	
(II) Whether the Company establishes a unit dedicated to promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and reporting the status thereof to the Board of Directors periodically (at least for once per year)?	✓		(II) The Secretariat Office of the Company's Board of Directors is delegated to promote the corporate governance affairs and responsible for assessing violations of the ethical management. The Internal Audit Office supervises and executes the related audit. The audit results are compiled in the audit report to be submitted to the Board of Directors periodically.	
(III) Has the Company established a policy to prevent conflicts of interest, provided a proper complaint reporting channel, and implemented accordingly?	✓		(III) The Company's "Procedures for Ethical Management and Guidelines for Conduct" has provided the conflict of interest avoidance provisions to prevent employees from violating the Company's ethical principles. If an employee violates the relevant regulations, the relevant investigation unit and decision-making supervisors shall provide opportunities for the accused to make a full statement before the Company makes a formal disciplinary decision.	
(IV) Whether the Company fulfills the ethical management by establishing an effective accounting system and internal control system, and has an internal audit unit research and adopt related audit plans based on the unethical conduct risk assessment result and conduct audits on the compliance by the unethical conduct prevention program, or appoints a CPA to conduct the audits?	✓		(IV) The Company has established the relevant internal control system to eliminate the opportunities to entice employees to make mistakes as much as possible, and its auditing unit has conducted the necessary inspections on a regular basis.	
(V) Whether the Company organizes internal/external education training program for ethical management periodically?	✓		(V) The Company has reminded employees of the importance of ethical practices during daily operations, and employees will be publicly praised for refusing to accept bribes from transaction counterparties in order to reinforce their sense of honor. The Company posted notices in each meeting room to strictly forbid manufacturers from exercising kickbacks. The concept of ethical operations has become the basic culture of the Company.	
III. Status of the Company's whistle-blowing system				No major difference.
(I) Whether the Company has defined a specific whistleblowing and reward system, and established some convenient whistleblowing channel, and assigned competent dedicated personnel to deal with the situation?	✓		(I) The Company has formulated the "Illegal, Unethical, or Dishonest Behavior Reporting and Handling Method" and established a reporting channel on the corporate website. The Board of Directors' Secretariat Office is responsible for deploying relevant personnel to conduct the necessary evidence collection and investigation for the cases reported.	
(II) Whether the Company defines the standard operating procedure, followup measures to be taken upon completion of the investigation, and nondisclosure mechanism toward the investigation of complaints as accepted?	✓		(II) The Company shall primarily focus on evidence collection. If the dedicated unit accepting the whistleblowing finds any material violations or the potential impairment on the Company, it shall report the same to independent directors in writing (or in an electronic form) immediately. If necessary, it may report the same to the police and criminal investigation entities for investigation. The information collected by the Company shall only be used to facilitate the police investigation. The relevant information shall be kept by the dedicated unit in a strictly confidential manner. Meanwhile, the relevant measures to protect the whistleblower shall be in place.	
(III) Whether the Company has adopted any measures to prevent the whistleblowers from being abused after the whistleblowing?	✓		(III) The Company has disclosed its whistleblower protection policy on its corporate website and in its "Ethical Corporate Management Best Practice Principles".	

Evaluation Item	Operation Scenario			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof
	Yes	No	Brief Description	
IV. Strengthening Information Disclosure (I) Whether the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	✓		The Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" are disclosed on the corporate website, and kept updated thereon.	No major difference.
V. If the Company has drafted its own business integrity code in accordance with the "Code of Business Integrity for TWSE/GTSM Listed Companies," please clarify any differences between the actual operations and the code: None.				
VI. Other important information to facilitate better understanding of the Company's ethical management practices: In order to enhance managers' practicing of ethical corporate management and lead employees to promote the enterprise's stable development, the Company organizes the training focusing on the themes, such as "Managers' Ethical Management" and "Prevention of Insider Trading by Managers" to urge the Group's President to lead all of the Company's managers to promote the practicing of ethical corporate management culture.				

(VII) If the Company has established a corporate governance code and related provisions, its inquiry method must be disclosed.

The Company has established the "Corporate Governance Best Practice Principles," the "Code of Ethical Operation," the "Corporate Governance Best Practice Principles," and other relevant provisions that have been published on the corporate website.

(VIII) Other important information that is sufficient to enhance the understanding of the corporate governance operations may be disclosed altogether: None.

(IX) Internal Control System Implementation Status

1. Statement on Internal Control

Luo Lih-Fen Holding Co., Ltd.
Statement on Internal Control System

Date: March 9, 2020

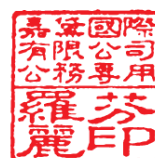
The following statement is made based on the results of the self-assessment on the Company's internal control system from January 1, 2019 to December 31, 2019:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). Criteria introduced by the Regulations consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk assessment; 3. Control operation; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.
- IV. The Company has adopted said criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessment result referred to in the preceding paragraph, the Company believes that the design and implementation of the internal control system (including monitoring and management on subsidiaries) as of December 31, 2019, including the achievement rate of effectiveness and efficiency of operations and reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws, are effective and may reasonably ensure the achievement of aforementioned goals.
- VI. In order to satisfy the need to announce and report the listing, the Company retained a CPA to audit said internal control system with respect to reliability of the external financial reporting and safeguarding of asset security for said period according to the article 28 of "the Regulations" (preventing the assets from being accessed, used or disposed of without authorization). As stated above, the design and execution thereof was considered effective and free from any material deficiency in recording, processing, compilation and reliability of reporting, or in causing any effect to the safeguarding of asset security resulting in the access to, use and disposal of the assets without authorization.
- VII. The Statement will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal liability.
- VIII. The Statement was passed unanimously without objection by all 7 Directors present at the Board meeting dated March 9, 2020.

Luo Lih-Fen Holding Co., Ltd.

Chairman: Li-Fen Luo

President: Huan-Wen Jao



2. The external auditor's report issued by the CPA commissioned to conduct an internal control audit, if any:

Luo Lih-Fen Holding Co., Ltd.
Internal Control System Audit Report

We have audited the attached Statement on Internal Control System of Luo Lih-Fen Holding Co., Ltd. and its subsidiaries dated March 9, 2020, declaring that they believe upon assessment that their internal control systems related to external financial reporting and protection of asset safety were designed and executed effectively from January 1, 2019 to December 31, 2019. The Company's management shall be responsible for maintaining a valid internal control system and assessing the validity thereof. We are only responsible for providing opinion on the validity of the Company's internal control system and said companies' statement on internal control system based on the audit results.

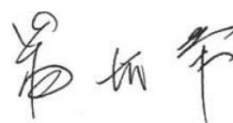
We conducted our audits in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the auditing standards generally accepted in the Republic of China to obtain reasonable assurance about whether said internal control system is valid in all material respects. The audit includes verifying the Company's internal control system, assessing the procedure in which the management assess the validity of the entire internal control system, testing and assessing the validity of the design and execution of the internal control system, and completing any other audit procedures which we deem necessary. We believe that the audit is sufficient to provide a basis for our opinion.

Any internal control system is designed with inherent limitations. Therefore, there might be some error or abuse already incurred in said internal control systems of Luo Lih-Fen Holding Co., Ltd. and its subsidiaries which cannot be prevented or detected. Additionally, considering that the future environment might change and compliance with the internal control system might decline, the internal control system held valid herein is not necessarily held valid in the future.

In our opinion, according to the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" to determine whether the internal control system continues to be effective, the design and execution of the internal control systems of Luo Lih-Fen Holding Co., Ltd. and its subsidiaries related to external financial reporting and protection of asset safety, in all material respects, remained valid from January 1, 2019 to December 31, 2019. Therefore, the Statement on Internal Control issued by Luo Lih-Fen Holding Co., Ltd. and its subsidiaries on March 9, 2020 declaring that the design and execution of said internal control system related to external financial reporting and protection of asset safety should be effective shall be held, in all material respects, adequate.

PwC Taiwan

Jerry Weng



Certified Public Accountant

Chun-Yao Lin



Former Securities and Futures Commission, Ministry of Finance
Approval certificate reference number: (1999) Tai-Finance-Securities (6) No. 95577

Former Securities and Futures Commission, Ministry of Finance
Approval certificate reference number: (1996) Tai-Finance-Securities (6) No. 68702

March 9, 2020

(X) Punishments received by the Company and its internal personnel pursuant to laws and punitive actions issued by the Company against its internal employees in violation of the internal control system provisions for the latest year until the date of publication of the Annual Report, major deficiency and correction status: None

(XI) Important Resolution of the Board of Directors as of the Date of Publication of the Annual Report

1. Shareholders' Meeting Motion Summary

Date	Session	Important Resolution Items	Implementation Status
June 18, 2019	General Shareholders' Meeting	<ol style="list-style-type: none"> 1. Motion for the Company's 2018 Business Report and Financial Statement. 2. Motion for the Company's 2018 Distribution of Earnings. 3. Motion to amend the Company's "Articles of Incorporation". 4. Motion to amend the Company's "Parliamentary Rules for Shareholders' Meeting". 5. Motion to amend the Company's "Rules for Election of Directors". 6. Motion to amend the Company's "Operating Procedure for Acquisition or Disposal of Assets". 7. Motion to use the surplus to replenish capital and issue new shares in collaboration with the motion for 2018 distribution of earnings. 	<ol style="list-style-type: none"> (1) Acknowledged and approved. (2) Acknowledged and approved. (3) Acknowledged and approved. (4) Acknowledged and approved. (5) Acknowledged and approved. (6) Acknowledged and approved. (7) Acknowledged and approved. <p>Explanation: The motions to amend the articles of incorporation and regulations approved at the shareholders' meeting have been executed successfully. The Company's 2018 distribution of allocable earnings was NT\$393,984 thousand. The common stock cash dividends per share was NT\$7. Its stock dividends were distributed at NT\$1 per share. The distributed earnings totaled NT\$344,640 thousand accordingly. The ex-right (ex-dividend) was set as July 17, 2019. The cash dividends and stock dividends have been paid.</p>

2. Important Resolutions by Board of Directors

Date	Session	Important Resolution Items
March 15, 2019	9th meeting of the 2nd term	<ol style="list-style-type: none"> (1) Motion for the Company's 2018 Business Report and Financial Statement. (2) Motion for the Company's 2018 Distribution of Earnings. (3) Motion to use the surplus to replenish capital and issue new shares in collaboration with the motion for 2018 distribution of earnings. (4) Motion to pass the Company's "Board of Directors Performance Appraisal" in 2018. (5) The Company's 2018 remuneration to employees and directors/supervisors. (6) Motion for the Company's "2018 Statement on Internal Control System". (7) Motion for the assessment on the independent auditor's competency and independence. (8) Motion to amend the Company's "Articles of Incorporation". (9) Motion to amend the Company's "Parliamentary Rules or Board of Directors Meeting" (10) Motion to amend the Company's "Parliamentary Rules for Shareholders' Meeting" (11) Motion to amend the Company's "Rules for Election of Directors" (12) Motion to purchase insurance for directors and managers (13) Motion to increase the amount of the Chairman's authorization for capital preservation financial products. (14) Motion to hold the Company's 2018 General Shareholders' Meeting
May 8, 2019	10th meeting of the 2nd term	<ol style="list-style-type: none"> (1) Motion to report the Q1 2019 consolidated financial statements of the Company. (2) Motion to pass the additions to the Company's "Standard Operating Procedures for Responding to Requests from Directors". (3) Motion to pass the establishment of "Zhangzhou Healthy Skin Clinic Co., Ltd.". (4) Motion to pass the reinvestment in companies in Taiwan. (5) Motion to pass the authorization to the Chairman to handle bank account opening matters on behalf of the Company.
June 13, 2019	11th meeting of the 2nd term	<ol style="list-style-type: none"> (1) Motion to acquire the factory office for the subsidiary, Lever Guide Biotech Co., Ltd. (2) Motion to pass the application for financing with the bank by the subsidiary, Lever Guide Biotech Co., Ltd.
June 26, 2019	12th meeting of the 2nd term	<ol style="list-style-type: none"> (1) Motion to set the Company's ex-dividend and ex-right record dates and distribution of stock dividends. (2) Motion to pass the facility application to be filed by Lever Guide Biotech Co., Ltd. With the bank. (3) Motion to add the termination of the non-competition restriction imposed on the Company's directors.

August 6, 2019	13th meeting of the 2nd term	(1) Motion to report the Q2 2019 consolidated financial statements of the Company. (2) Motion to amend the Company's "Regulations Governing Performance Appraisal on Board of Directors". (3) Motion to amend the Company's "Operating Procedures for Endorsement and Guarantee". (4) Motion to amend the Company's "Operating Procedures for Loaning Funds to Others".
October 3, 2019	14th meeting of the 2nd term	(1) Motion to pass the establishment of new company through investment by the subsidiary, Huiwenli (Fujian) Cosmetics Co., Ltd. (2) Motion to pass the Juwenlee (Fujian) Cosmetics Co., Ltd.'s factory premises expansion program (3) Motion to pass the acquisition of offices through the subsidiary, Juwenlee (Fujian) Cosmetics Co., Ltd., in Ximen City.
November 8, 2019	15th meeting of the 2nd term	(1) Motion to report the Q3 2019 consolidated financial statements of the Company. (2) Motion to pass the amendments to the project for establishment of new company through investment by the Mainland subsidiary, Huiwenli (Fujian) Cosmetics Co., Ltd. (3) Motion to pass the application or facility by the subsidiary with the bank and the endorsement/guarantee made by the Company for the subsidiary. (4) Motion to pass the acquisition of right-of-use assets by the subsidiary in Taiwan. (5) Motion to pass the acquisition of right-of-use assets by the subsidiary in Mainland China.
November 14, 2019	16th meeting of the 2nd term	(1) Motion to acquire the real estate by Lever Guide Biotech Co., Ltd. in Taipei City.
December 27, 2019	17th meeting of the 2nd term	(1) Motion to pass the transfer of the Company's internal audit officer. (2) Motion to pass the Company's "Board of Directors Performance Appraisal" in 2019. (3) Motion to pass the motion for the year-end bonus to the Company's managers in 2019. (4) Motion to pass the remuneration to the Company's managers in 2020. (5) Motion to pass the Company's 2020 business plan and budget. (6) Motion to pass the Company's 2020 audit plan. (7) Motion to pass the assessment on the competence and independence of the Company's independent auditor. (8) Passed the motion for the appointment and remuneration of the Company's financial report CPA. (9) Motion to acquire the real estate by Lever Guide Biotech Co., Ltd. in Taipei City.
March 9, 2020	18th meeting of the 2nd term	(1) Motion to report the communication with the Company's stakeholders. (2) Motion to report the renewed liability insurance for the Company's directors and managers. (3) Motion to pass the Company's 2019 business report. (4) Motion to acknowledge the Company's 2019 business report and financial statements. (5) Motion to acknowledge the Company's 2019 distribution of earnings. (6) Motion to pass the Company's 2019 "Statement on Internal Control System". (7) The Company's 2019 remuneration to employees and directors/supervisors. (8) Motion to amend the Company's "Articles of Incorporation". (9) Motion to amend the Company's "Parliamentary Rules for Shareholders' Meeting". (10) Motion to amend the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct". (11) Motion to amend the Company's "Board of Directors Meeting Procedure Rules". (12) Motion to amend the Company's "Corporate Social Responsibility Best Practice Principles". (13) Motion to amend the Company's "Corporate Governance Best Practice Principles". (14) Motion to amend the Company's "Articles of Association for Remuneration Committee". (15) Motion to amend the Company's "Articles of Association for Audit Committee". (16) Motion to reelect the Company's directors and independent directors of 3rd Term. (Including the name list of the candidates for the nomination and audit directors and independent directors) (17) Motion to terminate the non-competition restrictions imposed on the new directors of 3rd term (including independent directors) and their representatives. (18) Motion to accept the written proposal submitted by shareholders holding one percent or more of the Company's shares, or the period for accepting the nomination of director candidates and place designated for accepting the roster of director candidates nominated. (19) Motion to convene the Company's 2020 general shareholders' meeting.

(XII) The main contents of important resolutions passed by the Board of Directors regarding in which directors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of the annual report: None.

(XIII) Summary of resignation by/dismissal of the Company Chairman, president, accounting manager, financial manager, internal audit officer, or R&D officer in the most recent year and as of the publication of the annual report

Summary of resignation by/dismissal of the Company's related staff

March 9, 2020

Job Title	Name	Date of Appointment	Date of Dismissal	Cause of Resignation or Dismissal
Audit Officer	Ting-Ting Wu	2016/12/15	2020/01/01	The post transfer was ordered in response to the Group's business needs. Specifically, the original audit officer, Ms. Ting Ting Wu, was transferred to the Operation Department, and Ms. Yi Shu Li succeeded to the audit officer, according to the motion approved at 17th meeting of the Board of Directors of 2nd term.

V. CPA Public Expense Information

CPA Firm Name	CPA Name		Audit Period	Notes
PwC Taiwan	Shih-Jung Weng	Chun-Yao Lin	2019/1/1~2019/12/31	-

Unit: NTD

Amount range		Fee items	Audit Expense	Non-Audit Expense	Total
1	Less than NT\$2,000 thousand		-	V	-
2	NT\$2,000 thousand (inclusive)-NT\$4,000 thousand		V	-	V
3	NT\$4,000 thousand (inclusive) –NT\$6,000 thousand		-	-	-
4	NT\$6,000 thousand (inclusive) –NT\$8,000 thousand		-	-	-
5	NT\$8,000 thousand (inclusive) –NT\$10,000 thousand		-	-	-
6	Over NT\$10,000 thousand (inclusive)		-	-	-

(I) When non-audit fees paid to the CPA to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed.

Unit: NT\$1000

CPA Firm Name	CPA's Name	Audit Expense	Non-Audit Public Expense					CPA Audit Period	Notes
			System Design	Industrial and Commercial Registration	Human Resources	Others	Subtotal		
PwC Taiwan	Shih-Jung Weng Chun-Yao Lin	2,980	-	150	-	940	1,090	1/1/2019 ~ 12/31/2019	The other elements constituting the non-audit fees include the special review fees for internal control, NT\$800 thousand, and consulting service fees for organizational framework and business models, NT\$140 thousand.

(II) Change of CPA firm and the audit fees for the year of the change less than that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: None.

(III) In the case of any reduction in audit fees by more than 15% compared to the previous year, please state the amount, the percentage and reason of such variation: None.

VI. CPA Replacement Information Disclosure

None.

VII. Disclosure of any of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated company in the last year, including their names, position, and the periods during which they were employed by the auditor's firm or any of its affiliated company

None.

VIII. Equity transfer and equity pledge modification scenario of directors, supervisors, managers and shareholders holding more than 10% of the shares for the last year until the publication date of the Annual Report

(I) Changes in equity of Director, Supervisor, Manager, and Major Shareholder

Unit: shares

Job title	Name	2019		As of April 30, 2020	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged
Chairman	Black Praise International Limited	1,383,300	-	-	-
	Representative: Lih-Fen Luo	223,400	-	15,000	-
Director	Talent Reach (HK) Limited	491,465	-	-	-
	Representative: Huan-Wen Jao	2	-	-	-
Director	Shih-Chinn Ho	11,600	-	-	-
Director	Li-Chen Lin	3,132	-	-	-
Independent Director	Hsiao-Ling Chou	-	-	-	-
Independent Director	Yu-Che Wang	-	-	-	-
Independent Director	Yin-Chieh Hsu	-	-	-	-
Chief Executive Officer	Lih-Fen Luo	223,400	-	15,000	-
President	Huan-Wen Jao	2	-	-	-
Senior Deputy President	Jian-Ping Lin	-	-	-	-
Senior Deputy President	Hung Chen	-	-	-	-
Special Assistant of the President	Chao-Hsiang Chi	-	-	-	-
Vice President of Business	Li Wang	-	-	-	-
Vice President of Business	Chih-Fu Wang	-	-	-	-
CEO Special Assistant	Yi-Chun Lin	-	-	-	-
Special Assistant of the President	Xiu-Qiong Zhang	-	-	-	-
Audit Officer	Ting-Ting Wu	-	-	-	-
Audit Officer	Yi Shu Li	-	-	-	-
Major Shareholders	Black Praise International Limited	1,383,300	-	-	-
	Representative: Lih-Fen Luo	223,400	-	15,000	-
Major Shareholders	Talent Reach (HK) Limited	491,465	-	-	-
	Representative: Huan-Wen Jao	2	-	-	-
Major Shareholders	Forward Idea Investments Limited	696,000	-	-	-
	Representative: Huan-Wen Jao	2	-	-	-

Note 1: The increase in the 2019 shareholdings is a result of the distribution of stock dividends.

(II) Information about the counterpart of transfer of shares by directors, supervisors, managers and shareholders holding more than 10 percent of outstanding shares that is a related party: None.

(III) Information about the counterpart of pledge of shares by directors, supervisors, managers and shareholders holding more than 10 percent of outstanding shares that is a related party: None.

IX. Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another.

Date: April 30, 2020; Unit: Thousand Shares

Name	Personal Shares Held		Shares Held by Spouses and/or Children of Minor Age		Total Shares held via Another Party's Name		Title and Name of Shareholders Holding top 10 of the Shares Who are Related to Each Other or are Spouses or Second Degree Relatives		Remarks
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Title(Name)	Relationship	
Black Praise International Limited Representative: Lih-Fen Luo	15,216	32.11	-	-	-	-	(1) Lih-Fen Luo (2) SinoPac is the Entrusted Custodian of Perfect Honesty International Limited Investment Account	(1) Same Person as the Representative (2) A relative within 2nd degree of kinship with the Representative	None
Forward Idea Investments Limited Representative: Huan-Wen Jao	7,656	16.16	-	-	-	-	(1)Talent Reach (HK) Limited (2)World Maker International Limited (3) SinoPac is the Entrusted Custodian of Full Surplus Investments Limited Investment Account	(1) Same Person as Representative (2) Same Person as Representative (3) A relative within 1st degree of kinship with the Representative	None
Talent Reach (HK) Limited Representative: Huan-Wen Jao	5,406	11.41	-	-	-	-	(1)Forward Idea Investments Limited (2)World Maker International Limited (3) SinoPac is the Entrusted Custodian of Full Surplus Investments Limited Investment Account	(1) Same Person as Representative (2) Same Person as Representative (3) A relative within 1st degree of kinship with the Representative	None
Li-Fen Luo	2,472	5.22	-	-	15,216 (Note 1)	32.11	(1)Black Praise International Limited (2) SinoPac is the Entrusted Custodian of Perfect Honesty International Limited Investment Account	(1) Same Person as Representative (2) A relative within 2nd degree of kinship with the Representative	None
Bank SinoPac is the Entrusted Custodian of Fang Tai International Co., Ltd. Investment Account	1,925	4.06	-	-	-	-	—	—	None
World Maker International Limited Representative: Huan-Wen Jao	1,914	4.04	-	-	-	-	(1)Forward Idea Investments Limited (2)Talent Reach (HK) Limited (3) SinoPac is the Entrusted Custodian of Full Surplus Investments Limited Investment Account	(1) Same Person as Representative (2) Same Person as Representative (3) A relative within 1st degree of kinship with the Representative	None
SinoPac is the Entrusted Custodian of Perfect Honesty International Limited Investment Account	1,559	3.29	-	-	-	-	(1)Black Praise International Limited (2)Lih-Fen LuoLUO,LI-FEN	(1) A relative within 2nd degree of kinship with the Representative (2) A relative within 2nd degree of kinship with the Representative	None
SinoPac is the Entrusted Custodian of Full Surplus Investments Limited Investment Account	1,211	2.55	-	-	-	-	(1)Forward Idea Investments Limited (2)Talent Reach (HK) Limited (3)World Maker International Limited	(1) A relative within 1st degree of kinship with the Representative (2) A relative within 1st degree of kinship with the Representative (3) A relative within 1st degree of kinship with the Representative	None
LeadSun New Star Corp. Representative: Li-Chen Lin (Note 2)	881	1.86	-	-	-	-	—	—	None
SinoPac is the Entrusted Custodian of Wonder World Consultants Limited Investment Account	622	1.31	-	-	-	-	—	—	None

Note 1: Lih-Fen Luo holds 15,216 thousand shares of the Company through Black Praise International Limited with a shareholding ratio of 32.11%.

Note 2:The holding shares of LeadSun New Star Corp. includes shares of its custodial account at Bank SinoPac.

X. Number of Shares Held by the Company or the Company's Directors, Supervisors, or Managers as Well as the Number of Shares Held by the Company for the Reinvestment Businesses That it Directly or Indirectly Controls, and Combined to Calculate the Comprehensive Shareholding Ratio

Date: December 31, 2019 Unit: Thousand Shares ; %

Reinvestments Businesses	This Company's Investments		Investment by directors and managers or by directly or indirectly controlled enterprises		Comprehensive Investment	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Luo Lih-Fen Group Co., Ltd.	1,600	100%	—	—	1,600	100%
Luo Lih-Fen Enterprise Limited	Note 1	100%	—	—	Note 1	100%
Lever Guide Biotech Co., Ltd. (TW)	21,000	100%	—	—	21,000	100%
Juwenlee (Fujian) Cosmetics Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Xiamen Luolifen Cosmetics Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Xiamen Glingluocosmetics Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Xiamen Sunlily Cosmetics Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Xiamen Draise Cosmetics Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Lichuang (Fujian) Bio-Technology Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Zhangzhou Kangqili Health Management Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Xiamen Senlinhai Industry & Trade Co., Ltd.	Note 1	30%	—	—	Note 1	30%
Huiwenli (Fujian) Enterprise Management Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Zhangzhou Kangbaoli Biologic Technology Co., Ltd.	Note 1	100%	—	—	Note 1	100%
Zhangzhou Healthy Skin Clinic Co., Ltd.	Note 1	100%	—	—	Note 1	100%

Note 1: A limited company without share division.

Four. Capital Overview

I. Capital and Shares

(I) Sources of Capital Share

1. Capital Share Formation Process

Date: April 30, 2020; Unit: Share; Dollar

Year Month	Price at Issuance	Authorized Capital		Paid in Capital		Notes		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Offset Share Capital Via Properties Other Than Cash	Others
2016.09	USD1	5	USD 5	5	USD 5	Share Capital Establishment	—	—
2016.12	USD1	2,000,000	USD 2,000,000	5	USD 5	Increase the Approved Share Capital	—	—
2017.10	USD1	2,000,000	USD 2,000,000	1,378,650	USD 1,378,650	Cash Capital Increase 1,378,645 Shares	—	—
2017.11	USD50	2,000,000	USD 2,000,000	1,476,150	USD 1,476,150	Cash Capital Increase 97,500 Shares	—	—
2017.12	USD100	2,000,000	USD 2,000,000	1,650,000	USD 1,650,000	Cash Capital Increase 173,850 Shares	—	—
2017.12	NTD10	100,000,000	NTD 1,000,000,000	4,950,000	NTD 49,500,000	Convert Denomination to NTD and Increase the Authorized Capital	—	—
2017.12	NTD10	100,000,000	NTD 1,000,000,000	33,000,000	NTD 330,000,000	Capital Reserve to Capital Increase 28,050,000 Shares	—	—
2018.05	NTD10	100,000,000	NTD 1,000,000,000	38,280,000	NTD 382,800,000	Surplus to Capital Increase 5,280,000 Shares	—	—
2018.11	NTD105	100,000,000	NTD 1,000,000,000	43,080,000	NTD 430,800,000	Cash Capital Increase 4,800,000 Shares	—	Note 1
2019.08	NTD10	100,000,000	NTD 1,000,000,000	47,388,000	NTD 473,880,000	Surplus to Capital Increase 4,308,000 Shares	—	Note 2

Note 1: In collaboration with the public underwriting for cash replenishment and issuing 4,800,000 shares of common stock prior to its IPO, the Company received the approval from TWSE via Letter under Tai-Zhen-Shang-2-Zi No.1071703289 dated October 2, 2018 from TWSE declaring the effective registration.

Note 2: The motion to issue new shares through capitalization of earnings was approved at the shareholders' meeting dated June 18, 2019. The application form for listing of new shares issued through capital increase by foreign issuer was approved by TWSE on August 5, 2019.

2. Type of Shares

Date: April 30, 2020; Unit: Share

Type of Shares:	Authorized Capital			Notes
	Outstanding Capital Stock (Note)	Un-issued Shares	Total	
Registered Regular Shares	47,388,000	52,612,000	100,000,000	—

(II) Shareholder structure

Date: Thursday, April 30, 2020

Shareholder Structure Quantity	Government Agency	Financial Institution	Other Corporation	Individuals	Foreign Company or Foreigner	Total
Number of People	0	5	21	2,368	30	2,424
Number Held (Shares)	0	3,296	983,500	8,650,202	37,751,002	47,388,000
Shareholding Ratio %	0	0.01%	2.08%	18.25%	79.66%	100.00%

Note: The Company's transfer registration suspension date commences from April 5, 2020 to June 3, 2020.

(III) Status of Share Dispersion

1. Common stock

Par value at NT\$10 per share; April 30, 2020

Shareholding Level	Numbers of Shareholders (person)	Number Held (Shares)	Shareholding ratio (%)
1 to 999	602	83,175	0.18%
1,000 to 5,000	1,570	2,677,707	5.65%
5,001 to 10,000	141	1,079,039	2.28%
10,001 to 15,000	41	507,000	1.07%
15,001 to 20,000	13	230,980	0.49%
20,001 to 30,000	12	298,200	0.63%
30,001 to 50,000	12	447,352	0.94%
50,001 to 100,000	11	766,625	1.62%
100,001 to 200,000	7	911,200	1.92%
200,001 to 400,000	5	1,552,860	3.28%
400,001 to 600,000	0	0	0.00%
600,001 to 800,000	1	622,040	1.31%
800,001 to 1,000,000	1	852,600	1.80%
Over 1,000,001	8	37,359,222	78.84%
Total	2,424	47,388,000	100.00%

Note: The Company's transfer registration suspension date commences from April 5, 2020 to June 3, 2020.

2. Preferred stock: The Company has not yet issued any preferred stock.

(IV) List of Major Shareholders

Name of, Number of Shares Held by, and Shareholding Ratio of, Shareholders with a Shareholding Ratio of Over 5% or Ranking Top 10 Shareholders

April 30, 2020; Unit: Share

Major Shareholders	Share	Number of Shares Held	Shareholding Ratio
Black Praise International Limited Representative: Lih-Fen Luo		15,216	32.11
Forward Idea Investments Limited Representative: Huan-Wen Jao		7,656	16.16
Talent Reach (HK) Limited Representative: Huan-Wen Jao		5,406	11.41
LUO, LI-FEN		2,472	5.22
SinoPac is the Entrusted Custodian of Fang Tai International Co., Ltd. Investment Account		1,925	4.06
World Maker International Limited Representative: Huan-Wen Jao		1,914	4.04
SinoPac is the Entrusted Custodian of Perfect Honesty International Limited Investment Account Perfect Honesty International Limited		1,559	3.29
SinoPac is the Entrusted Custodian of Full Surplus Investments Limited Investment Account		1,211	2.55
LeadSun New Star Corp. Representative: Li-Chen Lin		881	1.86
SinoPac is the Entrusted Custodian of Wonder World Consultants Limited Investment Account		622	1.31

(V) Price, Net Worth, Earnings, Dividends, and Other Information per Share for the Last Two Years

Unit: NTD

Items		Year	2018	2019	Ending Q1 of 2020
Market price per share (Note 1)	Highest		208.00	232.50	178.00
	Lowest		116.50	160.00	91.10
	Average		165.05	190.67	129.15
Net Value per Share	Before Distribution		39.40	39.00	(Note 8)
	After Distribution		32.40	(Note 7)	-
Earnings per Share (Note 2)	Weighted average number of shares (1,000 shares)		38,885	47,388	(Note 8)
	per Share	Before adjustment (retroactive)	11.09	10.05	(Note 8)
	Earnings	After adjustment (retroactive)	10.08	(Note 7)	-
Dividends per Share	Cash Dividends		7.0	7.0 (Note 7)	-
	Stock dividends	Out of earnings	1.0	0.0 (Note 7)	-
		Out of additional paid-in capital	0.0	0.0 (Note 7)	-
	Accumulated and unpaid dividends (Note 3)		—	—	-
Investment Returns Analysis	P/E ratio [Note 4]		15.68	18.14 (Note 7)	-
	Price to Dividend Ratio (Note 5)		24.84	26.04 (Note 7)	-
	Cash Dividend Yield (Note 6)		4.02%	3.84% (Note 7)	-

*If shares are distributed in connection with a capital increase out of earnings or capital surplus, please also disclose the information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market prices of common stocks for each year, and then calculate the average market price for each year based on the annual transaction value and volume.

Note 2: Filled-in based on the number of shares issued at the end of the year and according to the Shareholders' Meeting resolution status for the following year. Show the earnings per share before and after the adjustment if retroactive adjustment is needed due to stock dividends.

Note 3: If equity securities issuance provisions provided that when the undistributed dividends in the year are accumulated to the year of the surplus, the dividends outstanding as of the current year shall be disclosed separately.

Note 4: Price to Earnings Ratio = average closing price per share/earnings per share for the year.

Note 5: Price to Dividend Ratio = average closing price per share/cash dividend per share for the year.

Note 6: Cash Dividend Yield = cash dividend per share/average closing price per share for the year.

Note 7: Approved by the Board of Directors meeting on March 9, 2020 and waiting to be approved by the resolution at the 2020 shareholders' meeting.

Note 8: The financial statement for Q1 of 2020 has not yet been approved by the Company's Board of Directors prior to the date of publication of the annual report.

(VI) Company's Dividend Policy and Execution Status

1. Company Dividend Policy

According to Article 100 of the Company's Articles of Association, the Company's dividend policy is stated as follows:

- (1) As the Company is in the growing stage, the dividend/bonuses of the Company may be distributed in the form of cash dividends/bonuses and/or stock dividends/bonuses. The Company shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development needs in assessing the amount of dividends/bonuses the Company wish to distribute.
- (2) During the Relevant Period, subject to Cayman Islands Law, the Applicable Listing Rules and these Articles, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the Directors present at a meeting attended by at least two-thirds or more of the total number of the Directors, the Company may distribute not less than one percent (1%) of the profits for such year to the Employees as the Employees' compensation in the form of shares and/or in cash and may distribute not more than three percent (3%) hereof to the Directors as the Directors' compensation, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and Directors in the proportion set out above. A report of such distribution of Employee and Directors' compensation shall be submitted to the general meeting of the Company. Except otherwise set forth by the Applicable Listing Rules, any Directors' compensation shall not be paid in the form of shares. The term "annual profits" as used herein shall mean the annual profits for such year before tax without deducting the amount of compensation distributed to the Employees and Directors.

- (3) During the Relevant Period, subject to the Cayman Islands Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the Statutory Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Statutory Reserve does not apply if the aggregate amount of the Statutory Reserve amounts to the Company's total paid-in capital), and setting aside the Special Reserve (if any), the Company may distribute not less than ten percent (10%) of the remaining balance (including the amounts reversed from the Special Reserve), plus accumulated undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the Members as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends/bonuses shall not be less than ten percent (10%) of the total amount of dividends/bonuses to Members.
- (4) During the Relevant Period, unless otherwise resolved by the general meeting of the Company, the Employees and Directors' compensations and dividends, bonuses or other forms of distributions payable to the Members shall be declared in NTD.
- (5) The Board may deduct from the dividends, bonuses or any other amount payable to the Member in respect of the Share any amount (if any) due by such Member to the Company on account of calls or otherwise in relation to the Share.
- (6) Any dividend, bonus or other monies payable on or in respect of the Share may be paid by wire transfer to the bank account nominated by the Member or by cheque or warrant sent through a post to the registered address of the Member, or to such Person and to such address as the holder may nominate in writing. In the case of joint Members, any of them may give a valid receipt for the dividend, bonus or other monies payable on or in respect of the Share.
- (7) Subject to the Cayman Islands Law and the Applicable Listing Rules, any Special Reserve may be reversed to undistributed profits of the Company.

2. Implementation Status

The 2019 annual surplus distribution proposal of the Company was approved by the Board of Directors on March 9, 2020; which proposed to distribute the dividends recognized by the Shareholders' Meeting on June 3, 2020 as follows:

Unit: NTD

Summary	Amount Total
Distributable Surplus:	
Undistributed Surplus at the Beginning of the Period	\$ 49,344,035
Plus: Current Year Net Income	497,740,176
Less: Provision for Legal Reserve	(49,774,018)
Less: Provision for Special Reserve (Note)	(45,483,000)
Total Distributable Surplus:	451,827,193
Distributions:	
Distribute Cash Dividends (NT\$7.0 per Share)	(331,716,000)
Retained Earnings After Allocation	\$ 120,111,193

Note According to the Letter No. Financial-Supervisory-Securities-Corporate-1010012865, the

Company provided the other net deductions from shareholders' equity, net as the special reserve.

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

(VII) Effects That the Stock Dividends Proposed by the Shareholders' Meeting Have on the Company's Business Performance and Earnings per Share:

The Company did not disclose the financial forecast for the current year, and therefore this is not applicable.

(VIII) Remuneration to Employee and Directors/Supervisors

1. The percentages or ranges with respect to remuneration to employees and directors/supervisors as set forth in the Company's Articles of Incorporation:

According to Article 100 of the Company's Articles of Incorporation:

During the Relevant Period, subject to the Cayman Islands Law, the Applicable Listing Rules and these Articles, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the Directors present at a meeting attended by at least two-thirds or more of the total number of the Directors, the Company may distribute not less than one percent (1%) of the profits for such year to the Employees as the Employees' compensation in the form of shares and/or in cash and may distribute not more than three percent (3%) hereof to the Directors as the Directors' compensation, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and Directors in the proportion set out above. A report of such distribution of Employee and Directors' compensation shall be submitted to the general meeting of the Company. Except otherwise set forth by the Applicable Listing Rules, any Directors' compensation shall not be paid in the form of shares. The "profit" referred to in this Paragraph means the pre-tax profits before subtracting the remuneration distributed to the employees and directors.

2. The basis for estimating the amount of remuneration to employees and directors/supervisors shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:

The remuneration for the Company's employees, directors, and supervisors shall be estimated based on the amount that may be allocated according to the Company's Articles of Incorporation. If the estimated expenses in this period are different from those of the Shareholders' Meeting resolution, it shall be considered as change in accounting estimates, and the account shall be adjusted during the annual Shareholders' Meeting resolution.

The remuneration to employees and directors for this period has been estimated in accordance with the Company's Articles of Association. They passed the Board of Directors resolution on March 9, 2020 without any discrepancy, which will be reported to the shareholders' meeting in due course.

3. Board of Directors Resolution Status on Remuneration Distribution:

The remuneration to employees and directors for this period has been estimated in accordance with the Company's Articles of Association. In 2019, the remuneration to employees was NT\$5,000,000, and the remuneration to directors/supervisors was NT\$7,200,000, accounting for 1.0% and 1.4% of the profits audited by a CPA in 2019, respectively, to be distributed in cash as listed. The status of the aforesaid distribution was approved by the Remuneration Committee on March 9, 2020 without any discrepancy and is waiting for the Board of Directors to report to the shareholders.

- (1) Employee remuneration paid in cash or stock distribution as well as the remuneration amount for directors and supervisors. If the annual estimated amount is different than the recognized amount, the difference, cause, and handling status must be disclosed: None.
- (2) Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus the total remuneration to employees in the entity or separate financial statement for the current period: N/A.

4. Shareholders' meeting report status and results on remuneration distribution:

The remuneration to employees and directors for this period has been estimated in accordance with the Company's Articles of Association. They passed the Board of Directors resolution on March 9, 2020 without any discrepancy, which will be reported to the shareholders' meeting in due course.

5. The actual distribution of remuneration to employees and directors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price of the shares distributed), and, if there is any discrepancy between the actual distribution and the estimated remuneration to employees and directors, additionally the discrepancy, cause, and how it is treated: None.

(IX) Repurchase of the Company's shares: None.

II. Instance of corporate bonds

None.

III. Instance of preferred stock

None.

IV. Issuance of Overseas Depository Receipts

None.

V. Issuance of Employee Stock Option Plan

None.

VI. Information about new restricted employee shares

None.

VII. Information about new shares issued upon merger or acquisition or acquisition of another company's shares

None.

VIII. Capital Application Plan Implementation Status

None.

Five. Overview of Operations

I. Business Contents

(I) Scope of Business

1. Major Business Contents Operated by the Company:

The Company primarily engages in the R&D, manufacturing and sales of facial beauty care and cosmetic products, and covers deal management and related personnel training. Its products are sold to the beauty and cosmetic stores through dealers in the various provinces of Mainland China, such as beauty and cosmetic stores, who then sell the products to terminal consumers. The founder of the Company entered the Mainland China market in early 2000. From the establishment of the GLINGLUO brand in 2004 until the end of 2019; the Company's products have been sold in over 4,000 terminal beauty salons in 30 provinces, municipalities, and autonomous regions such as Shaanxi, Hangzhou, Shenzhen, Yunnan, and Changchun. The Company has a high-quality beauty and skin care product group. In addition to household products, it also offers professional care kits and provides clients with a full range of beauty and skin care products as well as professional treatment course choices in terminal beauty salons. The Company has always adhered to the "Belief in Professionalism, Commitment to Beauty" corporate spirit and the "Integrity, Trust, and Sustainable Management" business philosophy. It has won favor and trust from the majority of Asian women via high quality services and good reputations.

2. Business Proportion:

Key Items \ Year	2017		2018		2019	
	Amount	%	Amount	%	Amount	%
Beauty Care Products	791,743	91.16	1,242,858	91.51	1,369,207	94.71
Others	76,816	8.84	115,326	8.49	76,488	5.29
Total	868,559	100.00	1,358,184	100.00	1,445,695	100.00

3. Current Product and Service Items

Product Type	Product Description
Beauty Care Products	Washing, hydration, essence, cream mask, facial kit, eye kit, health preservation kit, oral health preservation food and beauty care instrument.
Other Incomes	Consulting business revenue, raw material sales, semi-finished products, and packaging materials.

4. New Products (Services) Planned to be Developed

The Company primarily focuses on beauty care products. In terms of future product development, the Company also plans to focus on facial skin care series products as its starting point while beginning to develop some health preservation products since 2019. The new products developed in 2020 will include Love de Magic Kit and foot bath kit, etc.

In addition, the Company will adhere to the innovative development concepts of easy to use and environmentally friendly as the direction for future product development. Understanding the market demands and consumption trends while searching for product innovation directions will become the key development principle for the Company. Therefore, we will further develop and design products that appeal to consumers by gaining insights into consumer preferences via market information collection, investigation, and research; and incorporate the group product development mechanism to further conduct R&D and design products that appeal to consumers.

(II) Industry overview

1. Industry status and development

(1) Market Overview for Cosmetics and Skin Care Products

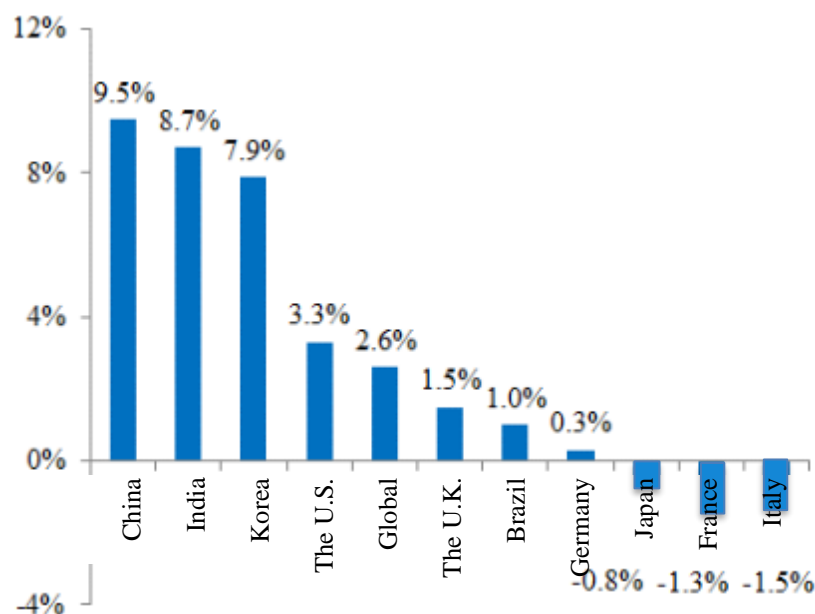
According to the "Beauty and Personal Care in China" report issued by Euromonitor in 2019, cosmetics and skin care products can be defined as baby and child-specific products, bath and shower, color cosmetics, deodorants, depilatories, fragrances, hair care, men's grooming, oral care, skincare, sun care, and sets/kits, etc.

(2) Market overview and development

A. Global Market Development

According to the research conducted by Northeast Securities, the scale of the global beauty and skin care market has grown from US\$387.2 billion to US\$488.3 billion in the past one decade, namely CAGR2.6%. The scale of the beauty and skin care market in China has grown from \$181.7 billion to \$410.5 billion by more than double, namely CAGR 9.5%, at the same time, which led the global growth with the increase in its market share by 12.7%. As a result, it became the second largest cosmetics consumption country in the world. Among Top 10 cosmetics consumption countries, the emerging markets, such as India and Korea, also outperformed others. Notwithstanding, the matured markets, such as Japan, France and Italy, reflected negative growth, while the other major markets' growth stayed stable. The Company's main operating market is Mainland China, and the following is the market analysis for Mainland China.

CAGR of TOP 10 Cosmetics Consumption Countries from 2009 to 2018



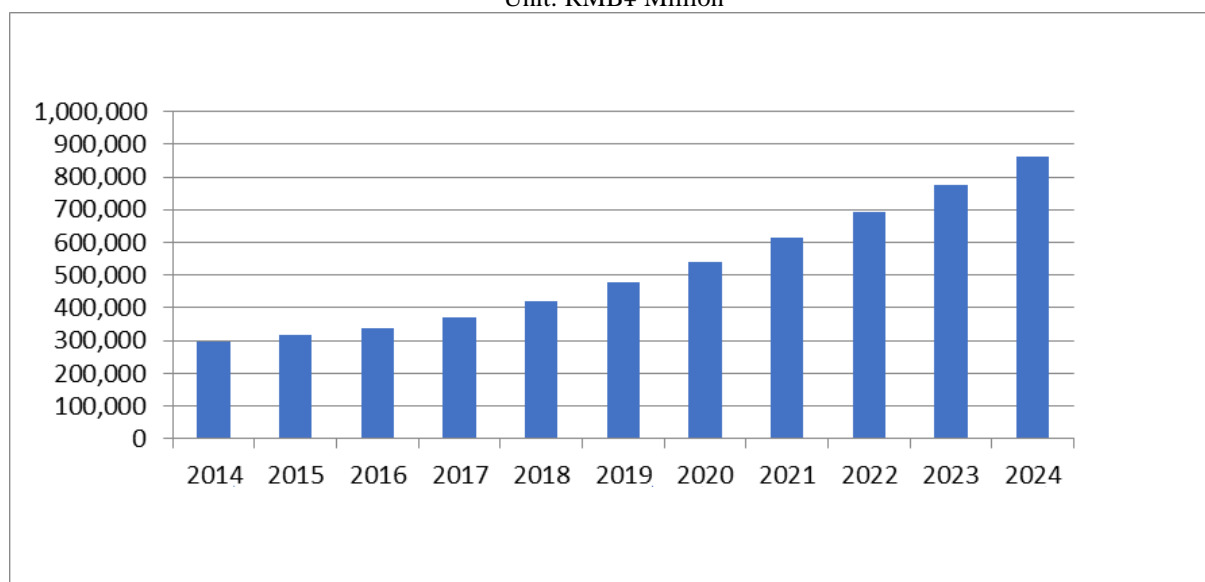
Source of data: Northeast Securities

B. Mainland China Market Development

Reports from Euromonitor indicated that the sales volume of the beauty and personal care market in Mainland China was RMB¥477.050 billion in 2019, which grew by 13.8% from 2018. Within the five-year period from 2014 to 2019, the overall scale of the beauty and personal care market grew by approximately 60.3%. It is estimated that the market scale will reach RMB¥863.748 billion by 2024 with a compound growth rate of 12.6%. Mainland China will maintain ITS status as the nation in the Asia Pacific region with the largest beauty and personal care market.

2014~2024 Beauty and Personal Care Market in Mainland China

Unit: RMB¥ Million



Source of data: Euromonitor (2019)

In terms of policy, the "Notice on Adjusting the Import Consumption Tax Policy for Cosmetics" implemented by the Ministry of Finance of the Government of the People's Republic of China in October 2016 canceled the consumption tax on ordinary beauty and modified cosmetics. It changed the "cosmetics" tax item to "high-end cosmetics" and reduced the tax rate for high-end beauty products, embellishment category cosmetics, high-end skin care cosmetics, and complete set cosmetics from 30% to 15% in order to promote the development of cosmetics and skin care products in Mainland China and reduce the price difference compared to foreign products. The policy is anticipated to reduce consumers' willingness to consume abroad, retain the purchasing power in Mainland China, promote consumption, and boost domestic demands.

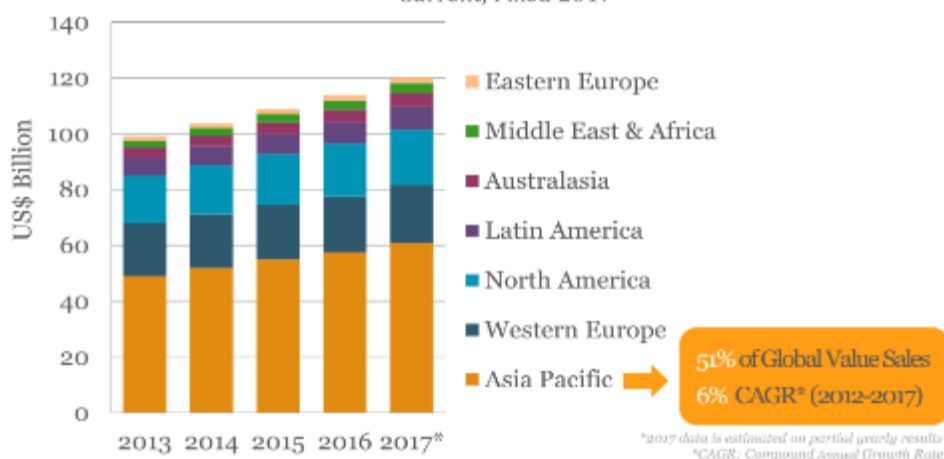
C. Product Category Development

(A) Global Market

According to Euromonitor, sales of skin care products in the Asia Pacific region have increased each year from 2013 to 2017. In 2016, sales in this region reached 51% of the global sales amount, and the CAGR from 2012 to 2017 reached 6%. It is evident that the Asia Pacific region has become a major driving force for market development. Euromonitor also predicted that by 2021, the compound growth rate of skin care products in the Asia Pacific region will reach 4%. Because of the huge consumer groups, brand innovations, and market maturity; Mainland China, Japan, and South Korea will continue to maintain the top three sales position in the market and account for 37%, 33%, and 13% of the market share in the Asia Pacific region, respectively.

Global Value Sales of Skin Care, 2013-2017

Current, Fixed 2017



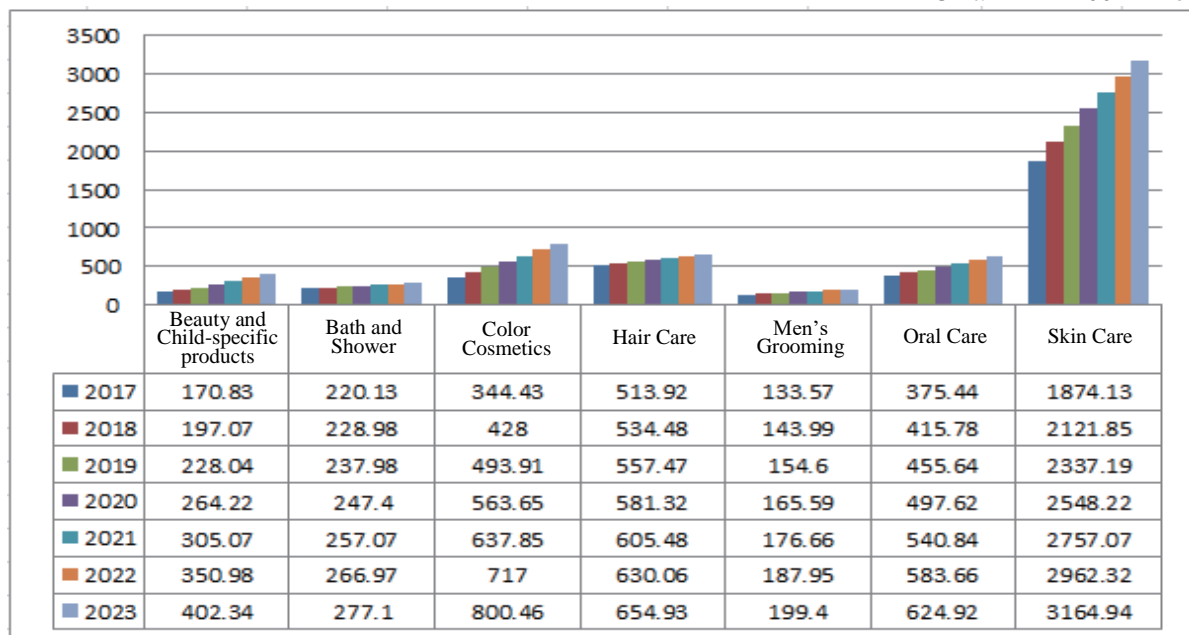
Source of data: Euromonitor

(B) Mainland China Market

Reports from Euromonitor indicated that sales from the beauty and personal care market in Mainland China were RMB¥477.050 billion in 2019. It is estimated that the market scale will reach RMB¥863.748 billion by 2024, and the compound growth rate during the period 2019-2024 will be 12.6%. The top sales items for the beauty and skin care market in Mainland China primarily focus on skin care products, hair products, and color cosmetics. The sales of skin care products reached RMB¥234.856 billion in 2019, which grew by 14.6% from 2018 and accounted for up to 51.1% of the overall beauty and personal care market. This is followed by hair products with the sales of RMB¥56.879 billion in 2019, which grew by 5.3% from 2018 and accounted for up to 11.9% of the overall beauty and personal care market. The sales reached RMB¥55.093 billion, which grew by 27.3% from 2018 and accounted for up to 11.5% of the overall beauty and personal care market. Color cosmetics have great potential with a compound growth rate of up to 19.4% from 2014 to 2019.

Beauty and Personal Care Product Sales Forecast for Mainland China

Unit: RMB¥ 100 Million



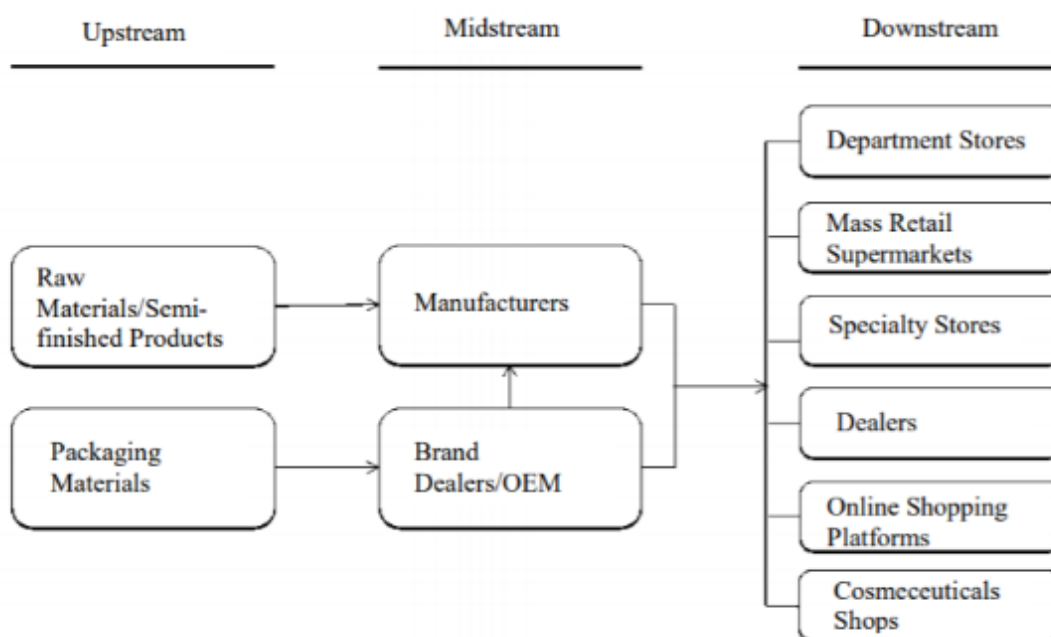
Source of data: Euromonitor (2019)

According to the research conducted by the Hong Kong Trade Development Council in July 2019, China cosmetics brands have accounted for 56% market share in China. It is because the local brands were promoted in the markets of certain second-tier and third-tier cities, and developed online via e-commerce; meanwhile, the promotion via advertisement on the new media platforms (WeChat and Weibo) was also strengthen to raise the brand awareness.

In conclusion, the continual growth of the global market for cosmetic and skin care products, the increase of consumer interest in skin care, and the rising income of the middle class will help to promote consumer spending and market development; and drive the product sales and operation growth of this Company.

2. Association between upstream, midstream, and downstream industry participants

At present, this Company primarily engages in the R&D, manufacturing, and sales of facial beauty care products. The correlation between the upstream, midstream, and downstream is shown in the figure below:



The raw materials and packing materials for the products of this Company are mainly purchased from the market in Mainland China, and a small portion of the raw materials are self-developed. Our products are manufactured according to the formula ratio, inspected, packaged, and then sold to beauty salons throughout the entire country via distributors. Therefore, the Company's industrial status is mainly considered as midstream in the cosmetic and skin care products field.

As the Company has frequent interactions with major upstream suppliers and downstream distributors, it is able to grasp the market trends, meet consumer demands, continue to introduce competitive products, and increase market competitiveness.

3. Various Development Trends for Products:

(1) Natural Raw Material Source Changes and Conceptual Upgrade

As consumer demands continue to change and global climate changes are become more apparent; people are paying more attention to nature related subjects such as environmental protection, organic life style, and health conditioning. As such, cosmetic care product consumers also hope that the raw materials for such products are purchased and produced locally in addition to being naturally plant based. To enable consumers to have more confidence in the safety of our products, we hope to produce safe, non-allergenic, pure, and effective raw materials via technological methods in the future, and apply them to the skin care products being used.

The Company has a number of patents that use natural botanical ingredients as raw materials in combination with extraction techniques to extract active ingredients. This extraction technology not only is friendly to the environment, the green environmental protection technology also does not produce any residual organic solvents. It can also effectively protect the functional ingredients from being destroyed during the extraction process, which is in line with the market trends.

(2) Cosmetics and Skin Care Products Related Laws and Regulations Have Tightened and Supervision Has Become Stricter

According to the IEK report, the cosmetics and skin care industry is recognized as one of the largest and most highly profitable industries worldwide mainly due to the high demand of cosmetics and skin care products from consumers throughout the world. Skin care products are the most demanding items in the market, and the market scale has continued to grow steadily. However, because cosmetic products will directly come into contact with the human body and their marketing regulations are relatively less strict than those for drugs and foods, different countries have continued to formulate pre-marketing regulations and standards for cosmetic products. In addition to the implementation of the cosmetics filing system, starting in 2017 the China Food and Drug Administration also requires cosmetics manufacturers to obtain the "Cosmetics Manufacturing License" before engaging in manufacturing. It also emphasized strengthening supervision and other measures in the future. Therefore, brands and enterprises with sufficient enterprise strength that strictly abide by the law will become the future driving force of the cosmetics industry in Mainland China. They also benefit from the vast number of consumers by establishing the basis to ensure abundant cosmetic and skin care product selection choices.

The products of the Company are registered and filed in accordance with the relevant laws and regulations before reaching the market. The Company has obtained the aforesaid Cosmetics Manufacturing License from the China Food and Drug Administration. In addition to the strict quality control, our production plants have also obtained the ISO22716 cosmetics certification, which shows that the Company has maintained good standards in terms of personnel health training for production line and plant equipment sanitary control.

(3) Customized Goods That Further Meet the Consumer Demands

According to the Hong Kong Trade Development Council's description of the cosmetics market in Mainland China, consumers' consumption concepts have undergone major changes with continuously strengthened autonomy. Consumers no longer rely mainly on advertisement guidance, but have started to rely on a variety of consideration references through many channels in order to select their own cosmetic products. Mintel's global trend study also mentioned that consumers have learned about their own bodies from a large amount of online information in order to best understand their skin and other physical conditions. They also realized that everyone is different, so the demand for personalized cosmetic products is increasing.

The Company's business model comprises sales to dealers, and the dealers then sell to terminal consumers through their beauty salon channels. The Company provides talents to dealers and beauty salons via school/enterprise cooperation every year, and has held a number of training courses for terminal beauty salon owners and beauticians. The goal is to help them improve their professional knowledge and care practices so they can provide appropriate services to satisfy the individual conditions and needs of consumers.

4. Competition Status

The Company's products are primarily facial beauty care products. With the advancement of technology and the continuous improvement of economic standards, skin care products are no longer a luxury demand. The use of skin care products has turned into a part of the daily life for most people and inspired people to pursue a higher level of beauty. Therefore, medical cosmetic technologies that cater to different needs for different parts of the body are born. Although medical cosmetic surgeries can satisfy whitening and tightening effects for consumer within a short period of time, some surgical costs are expensive and the corresponding risks are higher. In addition, after medical cosmetic surgeries, people must still rely on basic maintenance in order to maintain the effects. This Company has the ability to develop products and has obtained many patents, so it cannot be completely replaced. In summary, the Company's product and industry related function replacement risks are considered limited.

(III) Technology and R&D Status

1. R&D Expenses Invested in the Latest Year and as of the Date of Publication of the Annual Report

Unit: NT\$1,000

Items	2019	Ending the date of publication
R&D Costs	67,273	(Note)
Consolidated Net Operating Income	1,445,695	(Note)
R&D Costs as a Percentage of Consolidated Revenue (%)	4.65%	(Note)

Note: The financial statement for Q1 of 2020 has not yet been announced prior to the date of publication of the annual report.

2. Successfully developed technology or product during the most recent year and up to the date of publication of the annual report

Items	Year	Specific R&D Results	Product Description	Main Functions and Benefits:
1	2013	A method used to continuously extract the active constituents of Taiwan hibiscus via supercritical carbon dioxide	Taiwan hibiscus is a mallow plant and a common Chinese herbal medicine in Taiwan. It has anti-inflammatory and anti-oxidant effects. Taiwan hibiscus has high application value in skin care products because of its high efficiency and safety. This method comprised using the supercritical carbon dioxide method to extract the functional ingredients of Taiwan hibiscus.	The functional ingredients extracted from Taiwan hibiscus are mainly added to products such as Glingluo hibiscus cream, Sunlily hibiscus cream, and acne removal products
2	2013	Supercritical Carbon Dioxide Continuous Cherry Blossom Active Ingredients Extraction Method	Cherry blossom is a Rosaceae plant. Cherry blossom not only has good ornamental value, it also contains a variety of functional ingredients. Cherry blossom provides many functions in cosmetics such as moisturizing, whitening, and anti-oxidation. This method comprised using the supercritical carbon dioxide method to extract the functional ingredients of cherry blossom.	The functional ingredients extracted from cherry blossoms are mainly added to products such as lotions or air cushion creams.
3	2014	Acne Removal Gel Formula Product	An acne removal gel formula containing Taiwan hibiscus and other plant extracts with acne removal effects.	Century Zhen Yan Anti-acne Lotion Product
4	2014	Preservative-free Technology	The antiseptic effects of raw materials such as pentanediol, hexanediol, octyl glycol, p-hydroxyacetophenone, and octanoyl hydroxamic acid were tested.	Century Zhen Yan Series Products
5	2015	Special Facial Mask Preparation	The facial mask material is prepared using a PVA-based polymer material. After the mask absorbs the essence, the area will expand to over twice the original size. Application onto the skin can promote functional ingredient absorption and provide a strong firming effect.	Time Repairing Mask
6	2015	Toner Containing Colloidal Platinum	A hydrogen-containing toner with certain effects on the skin. However, it is volatile and has a short residence time on the skin. Platinum can adsorb a certain amount of hydrogen, and thereby better exert the skin care effects of hydrogen.	Platinum Toner
7	2016	Develop Oily Moisturizing Essence	The organic hydrazine and vegetable oil based essential oil not only retains the excellent emollient effect of vegetable oil, but it can also remove the sticky skin feel of vegetable oil as well.	Facial Moisturizing and Repair Essential Oil
8	2016	Application of Prebiotics in Skin Care Products	The strictly selected nutrient supply mechanism promotes the growth of skin probiotics, inhibits the reproduction of harmful bacteria, and improves the micro-ecological environment and comfort of the skin surface.	Probiotic Series Products
9	2017	Preservative-free Facial Mask	A non-woven facial mask with added botanical bacteriostatic ingredients.	Bright Shine Facial Mask
10	2017	Gentle Makeup Remover	The new polyglycerin-type makeup remover is essentially non-irritating to the eyes compared to traditional PEG-type makeup remover.	Eye Color Makeup Remover
11	2018	Products containing Guaiaac Sodium Sulfonate	The guaiac sodium sulfonate derived from German Chamomile and Yellow Camomille is a traditional European botanical drug with excellent anti-inflammatory, anti-allergic, and tissue repair effects. It provides skin soothing, repairing, and rejuvenating effects when used in cosmetics.	Hibiscus Cream (Upgraded Version)
12	2018	Ultrasonic Assisted Supercritical Carbon Dioxide Continuous Houseleek Active Ingredients Extraction Method	The stems and leaves of houseleeks have anti-inflammatory, anti-oxidation, and whitening effects. By optimizing the supercritical carbon dioxide extraction method for the extraction process of the houseleek branches and leaves, the total flavonoid content and antioxidant activity in the extract were significantly higher than those extracted using the traditional method.	Make-up remover, moisturizing facial mask, hydrogel cleansing lotion, probiotic solution, fountain of life pure liquid, etc.

13	2018	A Serum With Anti-wrinkle Effects on the Skin	According to the wrinkle appearance mechanism; active ingredients such as houseleek extract, roselle flower extract, and okra extract can improve the dark, rough, loose, and lifeless skin phenomena caused by work environment and aging. The ingredients can repair the skin's health, make the skin supple and smooth, give the skin a three dimensional and bright look, emit a penetrating glow from the inside out, and give the skin a soft, silky feel, and elastic feel.	Century Zhen Yan Pure Liquid, Hyaluronic Acid Pure Liquid, etc.
14	2018	A Cis-isomeric Crocetin Separation Method	Added saffron acid microemulsion, which can effectively absorb UVB, UVA, and short-wave blue light. Meanwhile, saffron acid can eliminate active oxygen, promote collagen secretion, and have a good post-sun-exposure repair effect.	Fullerene Water Eye Mask
15	2019	A New Whitening Toner	Based on the melanin production and dissemination mechanism; the cherry blossom, wakame, and heather extracts can inhibit melanin formation and deposit; and the heather and balloon vine extracts provide an anti-allergic effect. In addition to whitening and freckle reduction, the formula can also improve skin dullness and sallowness while keeping the skin moisturized and refreshed.	Skin Beautification Pure Liquid
16	2019	Moisturizing Cream that can be Quickly Absorbed by the Skin Cream	Unique formulation technology that helps the skin to absorb the active ingredients in the formula. Forms a unique skin feel, allows ingredients to be quickly absorbed by the skin.	Skin Toning Cream
17	2019	A pure liquid composition containing stem cell culture liquid and capable of improving skin	Stem cells are capable of not only differentiation and regeneration, but also generation of paracrine active substances. The active factors sought in the stem cell culture solution applied to skin care products generate a better anti-aging effect on the skin.	Products including Source of Life Freeze Dried Powder, and Genrenewing Face Freeze Dried Powder, etc.
18	2019	A preparation method of stem cell compositions and extracts, and application of the compositions	The exogenous proteins separated and collected from the culture fluid of adipose-derived mesenchymal stem cell may function to adjust and control the physiological activities of skin cells, thereby inducing fibroblasts to secrete collagen and generating the significant anti-glycation effect.	Products including Genflexibility Freeze Dried Powder, and Face Spa Freeze Dried Powder, etc.
19	2019	Test and application of five major skin genes	The test of the skin-related gene SNP combination may be applied to analyze the congenital characteristics of the skin, such as tanning, aging, and sensitivity. The personal skin care program may be customized based on the weak SNP Loci and consumers' skin condition and geographical locations identified in the test result.	Product series including Genskin care cream, Genskin conditioning lotion and Genflexibility facial mask
20	2019	Skin bacteria flora analysis technology and micro-ecological product development	Comparing the difference in the bacteria flora between defective skin and healthy one to verify the ecological characteristics of the healthy skin, and then selecting the raw materials of cosmetics capable of improving the skin ecology to practice the development of products with improved micro-ecological condition.	Product series including Prebiotics Toner, Prebiotics Essence and Prebiotics Repairing Cream.
21	2019	Anti-aging assessment by fibroblast	Establishing a fibroblast cytology model to observe the growth condition and rate of fibroblasts, detect the viability of fibroblasts, content of collagen, and the relative expression of mRNA in the collagen and metal matrix protease, etc., and to assess the effect produced by raw materials of cosmetics and products on secretion of collagen by fibroblasts, thereby predicting the anti-aging effect and upgrading and optimizing the anti-aging effect of existing products.	Development of primary raw materials of cosmetics, and test of products Primarily involving the products including Source of Life Pure Liquid and Source of Life Facial Mask, etc.

(IV) Long- and Short-term Business Development Plans

1. Short-term Plan Development Direction

- (1) The new retail brand, EasyBio, was released at the end of 2019, which was already launched on the online channels including Tmall and JD.Com, while there were also 4,000 beauty care channels providing the access to experience products to divert young consumer groups' attention to the brand and attract them to visit the stores via the traffic flow operations through the Internet online channel. Incorporate the terminal beauty salon WeChat applet smart system; optimize consumer experience and services; conduct precision marketing; achieve online and offline connections to brands, products, and consumers; and exploit the market potential vertically.

Additionally, the health preservation brand, "QIECOME", applies physical therapy formula and health preservation method to help women deal with gynecological conditioning, which is primarily instructed by the master Chinese medicine doctors, Chi-Ming Liu and Tien-Kuei Li. The characteristic health preservation therapy upheld by "QIECOME" was also awarded the "Chinese Medicine Sub-health Conditioning Characteristics Diagnosis and Therapy Technology Certification" last year, which helps solidify the Company's horizontal development of the existing market domain.

The Group develops and layouts, horizontally and vertically, based on EasyBio and QIECOME, so as to boost the distributors' and end stores' sales significantly.

- (2) Establish a sustainable and healthy development ecosystem for the Group's partner terminal beauty salons. Use data analysis to provide sustained performance growth for the core elements. Focus on the three key factors of terminal beauty salon revenue growth, and improve the operation and management capabilities of terminal beauty salons from three aspects: product penetration rate, customer satisfaction, and team professionalism. Provide provincial training sessions through four stages to reshape industry perceptions, values, and mission of the practitioners. Strengthen the professional skills and customer service capabilities of practitioners. Provide practical implementation tools and methods, and incorporate performance incentive mechanisms. Establish a terminal customer-oriented benefit system with the stores as the core in order to maximize brand value.
- (3) Talent cultivation is the core of enterprise development. The cultivation of sales and management talents is the core of operations for the new year. The internal unit of the enterprise must cast its soul via "the Generals of the Luo Family" spirit, case the soul of the team, establish a team work management and control mechanism as well as a five-star inspection and assessment mechanism, provide a good and diverse learning and growth platform to the talents, and offer career development opportunities. Use the Super Skin Care Master platform to organize the hundred thousand skin care practitioner festival, interpret the positive energy of the skin care industry, enhance the loyalty and trust of the brand across the industry, and create the ultra-high impact of the brand on the industry in order to enhance the service capabilities of the cooperating terminal beauty salons and dealers.

2. Long-term Plan Development Direction

- (1) Continue to strengthen media promotion and enhance end-user awareness of brands.
- (2) Develop innovative products from raw materials to continuously improve product quality.
- (3) Continue to improve channel adhesion, optimize sales channels, and expand the development of health-care projects and brands in addition to the development of facial makeup and skin care products.
- (4) Continue to deepen the training system and expand school/enterprise cooperation.
- (5) Increase the investment into full network information construction, Integrate the full digital information network for the upstream and downstream of the industry.
- (6) Vertical integration of industry standards and preferential investment.

II. Marketing and Sales Status

(I) Market Analysis

1. Sales (Provision) Regions of Major Goods (Services)

The facial beauty care product R&D, manufacturing, and sales units established by this Company in Mainland China sell products to various terminal beauty salons through distributors located in the various provinces of Mainland China. The various terminal beauty salons then sell the products to terminal consumers. Therefore, 99.76% of the service providing regions is currently located in Mainland China.

Unit: NT\$1,000; %

Sales Regions \ Year	2017		2018		2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
China	868,559	100%	1,358,184	100%	1,440,498	99.64%
Taiwan	-	-	-	-	5,197	0.36%

2. Market Share

The Company's R&D, manufacturing, sales, and market for its professional beauty care product lines are located in Mainland China. According to statistics provided by Euromonitor, the market scales of Mainland China's skin care products in 2018 and 2019 were RMB¥212,716.1 million and RMB¥243,856.0 million, respectively. Based on the Company's 2018 and 2019 operating income estimates, the market shares were approximately 0.14% and 0.13%, respectively. The Company's market share is not high at present. Notwithstanding, the Company's products are sold to terminal consumers through the distributors and the distributors' beauty salons. In 2019, the Company launched the new retail brand, "EasyBio", to divert young consumer groups' attention to the brand and attract them to visit the stores via the traffic flow operations through the Internet online channel, and also the health brand, "QIECOME", to develop the markets other than facial cosmetics and beauty care products. The Company is expected to continuously increase its market share.

3. Future Market Supply, Demand, and Growth Status

At present, the Company's main operations and markets are all in Mainland China. The cosmetics and skin care products produced are mainly sold to terminal beauty salons in various regions via the distributors. In terms of market demand, the statistics reported by Euromonitor indicate that the average beauty and personal care market sales amounts in Mainland China have grown at an annual rate of 9.0% from 2014 to 2019 as the economy has grown. In 2019, Mainland China's beauty and personal care market sales reached RMB¥477 billion. The market scale for 2024 is expected to reach RMB¥863.7 billion with a compound annual growth rate of 12.6% for the period, indicating that the market for beauty and personal care products will continue to grow.

In terms of market supply, the "2016-2022 Mainland China Beauty Salon Industry Market Analysis and Investment Decision Research Report" issued by ZhiYan Intelligence Research Group indicated that the number of professional beauty enterprises in Mainland China increased from 116,900 to 148,500 between 2012 and 2015; which is estimated to increase to 175,000 enterprises by 2022. According to Euromonitor statistics, Mainland China's beauty and personal care sales amount in 2019 was RMB¥477 billion. When divided by the population number of 1.4 billion at the end of 2019 as announced by the National Bureau of Statistics in Mainland China, the per capita beauty and personal care consumption is RMB¥340.75. Although still not as high as that of many other countries, the statistics issued by the National Bureau of Statistics indicated that the retail sales of cosmetics in 2019 increased by 12.6% compared to that of 2018. The data shows that the growth of the people's livelihood consumption will continue to drive the overall market supply growth.

Overall, factors such as the steady economic growth in Mainland China, the accelerated income growth of its residents, and the further expansion of the consumer goods market have contributed to the growth of the supply and demand market for the Company's products. They will also contribute to the expansion of the Company's sales and business scale.

4. Competitive Niche

(1) Independent Development Capability

Luo Lih-Fen Holding Co., Ltd. has richly experienced R&D teams that continuously develop the latest raw materials, formulations, and product technologies. The Company has also collected market research information in order to develop innovative products with foresight, used strict scientific and safety test methods to ensure the high performance and safety of the products, and produced stable quality products through repeated tests and trial productions in order to create products with core competitiveness. The technology center is equipped with a variety of advanced R&D equipment such as the supercritical carbon dioxide extraction unit and the ultrasonic extraction concentrating machine combined with the Company's patented extraction technology used to extract raw plant materials without destroying the functional ingredients. The multi-functional microplate reader and skin tester devices are used to evaluate moisturizing, anti-wrinkle, oil control, anti-acne, whitening, freckle, and sunscreen performance. Atomic absorption spectrophotometers are used to perform physical and chemical tests for color, appearance, odor, cold and heat resistance stability, PH acidity level, centrifugation stability, and moisture content. Therefore, the Company is able to independently perform formula innovation, efficacy evaluation, process research, raw material extraction, packaging materials research, hazardous substances inspection and analysis, etc.; and continue to introduce new competitive products that meet the market demands.

(2) Collaborative projects with leading academic and research institutions

In 2019, the Company entered into the research project and industry-academia cooperation project with Hungkuang University and Tzu Chi (Hualien Tzu Chi Medical Center). Based on the existing R&D orientation, the Company may further develop the preparation and application of plant-based raw materials. Upon receipt of the technology license from Tzu Chi, the Company will complete the commercialization and launch of the products in the market promptly, tied with the "customization" service, in order to launch into the new age for precision skin, beauty and health care services.

(3) Strict Production Standards and Quality Control That Improve Product Quality

The Company has strict requirements on product quality and established inspection standards on raw material storage, raw material emulsification and semi-finished product production, package filling operation, and finished product warehousing. Such inspections include raw material PH value and density; physical and chemical indicator evaluation; examination of microbial indicators such as bacterial count, yeast, etc.; and vigorous monitoring of the various production processes. Before the products are put on the market, they are registered and filed in accordance with the relevant laws and regulations, and the product formula and sales package information are provided to the China Food and Drug Administration (CFDA) for review. At the end of 2016, the Company passed the production conditions, equipment and metrology inspections, and personnel requirements to obtain the cosmetics

production license issued by the CFDA. In addition to production process strict quality control, the Company's factory also obtained the Good Manufacturing Practice (GMP) for cosmetics, ISO22716 International Good Manufacturing Practice Guidelines for Cosmetics, and ISO14001 Environmental Management System certifications. The Company has also purchased liability insurance for its products, which shows well-regulated sanitary control for its production plants and equipment as well as strict safety control for the consumers.

(4) Innovative and Effective Marketing That Amplify Brand Reputation and Visibility

The Company has adopted the "Belief in Professionalism, Determination to Beauty" development strategy to hold dealer briefings and roundtables from time to time to directly meet with distributor presidents, brand directors, and terminal beauty salon owners. The goal is to convey the group strategy and market planning strategy, invite them to participate in the National Investment Promotion Association, and jointly develop the market. The Company has also improved the product and brand exposure through media interviews and marketing advertisements, established stable cooperation with dealers and customers, and its products are sold to 30 provinces, municipalities, and autonomous regions throughout Mainland China. The Company has 50 cooperative dealers and over 4,000 terminal sales beauty salons. Most of the dealers are strategic distribution partners with over a decade of partnership experience. In 2015 and 2016, "LUOLIHFEN" and "SUNLILY" were respectively awarded the Fujian Provincial Famous Trademarks issued by the Fujian Administration Bureau for Industry and Commerce; which indicates that the Company's corporate image is deeply relied upon and recognized by officials, dealers, terminal beauty salons, and consumers.

(5) Diversified Training Methods Creating a Comprehensive Talent Pool

The Company values the cultivation of talents. In addition to jointly establishing the Luo Lih-Fen Image Health Management Institute with Eastern Liaoning University and signing an industry/academia cooperation agreement with Heilongjiang University of Chinese Medicine Jiamusi College, the Company has also established "skin care institutes" under its organizational structure, and created a comprehensive education and training system. Each year, core competence courses in professional knowledge, management skills, and nursing techniques are provided through "Youth Camps," "Knowledge Tour Camps," "I am Diva," and "Handsome Ace Camps" to beautician instructors, terminal beauty salon owners, and beauticians. The Company will be able to satisfy its own human resource needs and also to recommend adequate talents to the distributors and terminal beauty salon owners, so as to upgrade the quality of talents and bound between upstream and downstream participants.

5. Development Prospect Advantages and Disadvantages, and Countermeasures

(1) Favorable Factors

A. Tightened industry regulations and strengthened government supervision are favorable to legal compliance and companies with R&D strength.

In the past, due to the imperfect policies and regulations in the Mainland China, good and bad quality cosmetics and skin care products were mixed and circulated in the market. In recent years, the CFDA has implemented the cosmetics filing system, started to require cosmetics manufacturers to obtain the "Cosmetics Manufacturing License" in order to engage in production since 2017, and provided that cosmetic manufacturers must conform to the Cosmetics Manufacturing License related specification requirements pursuant to the "Cosmetics Safety Technical Specification." To establish a comprehensive quality and safety management system, four major records for each batch of products must be recorded in detail: (1) raw material procurement and acceptance inspection, (2) production process, (3) product inspection, and (4) warehousing and sales. The goal is to strictly control the quality and safety of products, and operate in good faith. The relevant costs and expenses needed to meet the government policy requirements may not be affordable to all companies, which can eliminate companies that have insufficient scale, production quality, or have poor quality control. This Company has reached sufficient scale under years of operation. Its three major brands -- Glingluo, Sunlily, and Draise -- have been registered and filed in accordance with the law before listing; their production, finances, and business operations are in compliance with the relevant regulations; and we are one of the enterprises that have obtained the production license earlier in Fujian Province.

In addition, the Company has established a technical center under the R&D department of the Mainland China factory. The technical center covers an area of 560 pings and is equipped with supercritical carbon dioxide extraction equipment, an ultrasonic extraction and concentration machine, atomic absorption spectrophotometer, multi-function microplate reader, multi-functional skin tester, vacuum emulsifier, and other advanced R&D equipment. The center also has physics and chemistry laboratories, stability laboratories, microbiology laboratories, efficacy evaluation laboratories, etc. From formula innovation to efficacy evaluation, process research, raw material extraction, packaging

materials research, hazardous substance inspection and analysis, etc.; each aspect can be completed autonomously and the center lays the foundation for future R&D.

B. The market has room to grow in the future, which is conducive to performance improvement.

The statistics reported by Euromonitor indicated that the average beauty and personal care market sales amounts in Mainland China have grown at an annual rate of 9.0% from 2014 to 2019 as the economy has grown. In 2019, Mainland China's beauty and personal care market sales reached RMB¥477.050 billion. The market scale for 2024 is expected to reach RMB¥863.748 billion with a compound annual growth rate of 12.6% for the 2019 to 2024 period, indicating that the market for beauty and personal care products will continue to grow.

C. Good brand image and popular trademarks are conducive to market expansion.

Since the Company's entry into the Mainland China market, it has cultivated stable dealers and customer groups; its products are sold to 30 provinces, municipalities, and autonomous regions in Mainland China with up to 50 cooperative dealers and over 4,000 terminal sales beauty salons. The Company has maintained good partnerships with most of its dealers, and all of them have been distributing the three major brand products for many years. In 2015 and 2016, "LUOLIHFEN" and "SUNLILY" were respectively awarded the Fujian Provincial Famous Trademarks issued by the Fujian Administration Bureau for Industry and Commerce; which indicates that the Company's corporate image is deeply relied upon and recognized by officials, dealers, terminal beauty salons, and consumers. In addition, the performance of household products has rapidly improved; which indicates that beauty salon consumers have high satisfaction with the Company's products, are willing to continue to purchase the products for their own use, and have a certain level of recognition for the Company's brand.

(2) Unfavorable Factors and Countermeasures

A. Counterfeiting is severe in the Mainland China market.

The Company believes that every product is a result of the constant upgrade of professionalism. A combination of R&D, operation, sales team, and large amount of effort and cost invested are required for the products to obtain their corresponding value. However, there are still poor-quality counterfeit brands on the market that affect the Company's corporate image and interests.

[Response Measures]

The company has obtained a number of local trademark rights in accordance with the "Trademark Law of the People's Republic of China." Apart from obtaining legal protection through registered trademarks, the dealers will also actively share important market information with the Company since the Company has maintained close cooperation with dealers. Therefore, the longer-term distribution system partnership can also be used to combat counterfeiting. The Company has also commissioned an external company to retrieve all trademark infringement related information over the Internet, and hired a trademark rights protection agency to assist the Company to handle trademark related litigations in order to fully prevent and deal with any counterfeiting issues.

B. Intense market competition.

Professional lines of cosmetics and skin care products have better profits due to higher technical thresholds, but also attract enterprises or less legitimate manufacturers to join the competition. In addition, statistics provided by ZhiYan Intelligence Research Group (2016) indicated that there are over 50,000 professional brands, over 10,000 manufacturers, and approximately 1.7 million professional beauty salons across Mainland China. On average, each medium- to large-scale manufacturer's products can be sold in 300 beauty salons. This causes small-scale manufacturers to compete by providing discounts and gifts, which showcases the fierce competition of the market.

[Response Measures]

The Company has long-term brand management, and its sales channel comprises the beauty salons of top-quality distributors throughout the provinces in Mainland China. The Company uses the multi-brand development strategy to transcend the regional brand protection method. This allows the terminal beauty salons to minimize customer poaching. No other brands will use only a single brand and thus be limited by the number of direct or franchise beauty salons, and this strategy enables the products to continue to improve the overall market share. In addition, the Company has continued to conduct R&D to meet the demands of the consumers in the market, provide strict control over the quality of the production process, cultivate excellent sales teams, and use TV advertising and special interview methods to enhance brand value and strengthen customer loyalty.

C. Beauty care instructors and beauticians in terminal beauty salons have a high turnover rate.

Beautician instructors are the key for the Company to retain its customers. In addition to constantly learning new knowledge, technology, product efficiency skilled care techniques, and equipment use; they must also have the necessary sales skills to visit the various regional terminal beauty salon owners and beauticians in order to promote the Company's products. Therefore, they even represent the Company's image and spirit in a sense. The beauticians of the terminal beauty salons are the first-line personnel facing the consumers to recommend products and care services. However, because both positions are considered long work hour and labor-intensive jobs, the employee turnover rate is relatively high.

[Response Measures]

In addition to jointly establishing the Luo Lih-Fen Image Health Management Institute with Eastern Liaoning University and signing an industry/academia cooperation agreement with Heilongjiang University of Chinese Medicine Jiamusi College, the Company has also established "skin care institutes" under its organizational structure, and created a comprehensive education and training system. Each year, core competence courses in professional knowledge, management skills, and nursing techniques are provided through "Youth Camps," "Knowledge Tour Camps," "I am Diva," and "Handsome Ace Camps" to beautician instructors, terminal beauty salon owners, and beauticians. The Company will also continue to provide a comprehensive staff welfare and promotion system as well as good working environment to the staff in order to retain excellent talents and reduce the turnover rate.

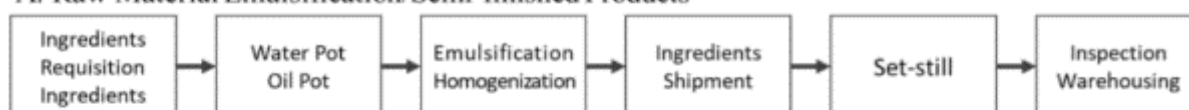
(II) Important Purpose and Production Process of the Main Products

1. Purpose of Products

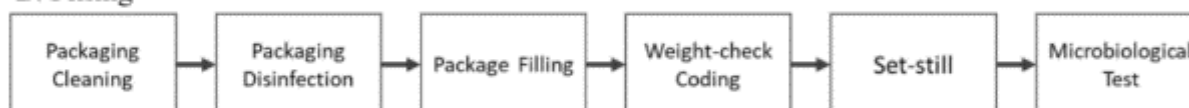
The Company's main products are beauty care products that provide anti-aging, whitening, anti-oxidation, skin repair, and other restorative effects.

2. Product Production Process

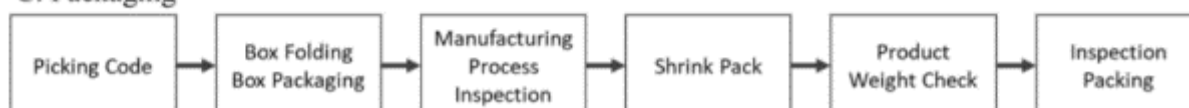
A. Raw Material Emulsification/Semi-finished Products



B. Filling



C. Packaging



(III) Supply of main raw materials

The Company primarily engages in the R&D, development, manufacturing, and sales of beauty care products, and covers dealer management and training for relevant personnel. The main product R&D and production base is JUWENLEE. This Company and the main raw material suppliers have maintained good and stable cooperative relationships. In addition to fully grasping the supply source, we also provide strict quality and delivery deadline control to eliminate any primary material supply related concerns.

(IV) Customers' names as well as their purchase (sales) amounts and ratios that accounted for over 10% of the total amount of goods sold in the past two years, and explain the reasons for the increase or decrease changes:

1. Main Supplier Information for Those Accounting for Over 10% of the Total Purchase Amount in the Past Two Years:

Unit: NT\$1,000 ; %

Year	2018				2019				Ending the date of publication			
Items	Title	Amount	%	Relation	Title	Amount	%	Relation	Title	Amount	%	Relation
1	P01 (Note 1)	75,433	25.26	None	P01 (Note 1)	42,214	12.08	None	P01 (Note 1)	(Note 3)	-	None
2	Senlinhai (Note 2)	-	0.00	None	Senlinhai (Note 2)	20,576	5.89	Related party	Senlinhai (Note 2)	(Note 3)	-	Related party
3	Others	223,205	74.74	None	Others	286,662	82.03	None	Others	(Note 3)	-	None
	Net Amount	298,638	100.00	-	Net Amount	349,452	100.00	-	Net Amount	(Note 3)	-	-

Note 1: Because the confidentiality agreement signed by this Company with other companies stipulated that the clients are non-related parties and their names cannot be disclosed, so they are represented by codes.

Note 2: Xiamen Senlinhai Industry & Trade Co., Ltd.

Note 3: The financial statement for Q1 of 2020 as audited by CPA has not yet been announced prior to the date of publication of the annual report.

P01 was founded in 2005. It is primarily engaged in the manufacture and sales of acrylic packaging materials for cosmetics. The Company purchases the plastic containers, such as lotion bottles, water bottles and pumps of essence bottles, primarily from P01. The purchase amounts for 2018~2019 from P01 are NT\$75,433 thousand and NT\$42,214 thousand, which accounted for 25.26% and 12.08% of the net purchase ratio, respectively. In order to guarantee quality and quality, the Company purchased the packaging materials from another supplier instead this year. Therefore, the purchase amounts from P01 decrease by NT\$33,219 thousand in 2019 from the same period in last year.

Xiamen Senlinhai Industry & Trade Co., Ltd. Is primarily engaged in the manufacture of plastic plates, tubes and materials, and manufacture and sales of plastic boxes and containers. In order to integrate the upstream packing materials supply chains, the Company invested in said company in September 2019 and acquired 30% of the equity thereof. The purchase amounts of the Company for the plastic containers, such as lotion bottles, water bottles and pumps of essence bottles, from P01 were NT\$20,576 thousand, accounting for 5.89% of the net purchase ratio, in 2019.

2. Customer Information for Those Accounting for Over 10% of the Total Purchase Amount for Any Year in the Past Two Years:

The Company's customers are scattered, and no single customer has accounted for over 10% of the sales amount within the past two years.

(V) Production Volume and Value for the Past Two Years:

Unit: Thousand PCS, NTD thousand

Main Products \ Year	2018			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Beauty Care Products (Note 2)	3,602	4,429	1,376,119	3,807	5,311	1,563,275
Others	(Note 1)		176,544	(Note 1)		125,498
Total	3,602	4,429	1,552,663	3,807	5,311	1,688,773

Note 1: Other items are National Merchants Association related businesses as well as the sales of waste and raw materials, so there is no production capacity and volume data.

Note 2: The production volume is calculated based on the actual output of each year. The production capacity is based on the existing equipment for each year, 8 hours per each day's shift, and 22 days per month converted to the maximum capacity in kilograms. The PCS is then converted according to the sales volume of each category of beauty care products in each year and the average unit capacity.

Reasons for the increase or decrease changes:

With the increase in sales in 2019 compared to that of 2018, the sales volume increased, and the Company added machinery and equipment in 2018 to increase its production capacity. The Company has also increased manpower in order to improve the production volume and value.

(VI) Sales Volume and Value in the last Two Years

Unit: Thousand PCS, NTD thousand

Main Products \ Year	2018				2019			
	Foreign Sales		Domestic Sales		Foreign Sales		Domestic Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Beauty Care Products	-	-	3,492	1,232,054	-	-	4,327	1,369,207
Others	-	-	(Note 1)	126,130	-	-	(Note 1)	76,488
Total	-	-	3,492	1,358,184	-	-	4,327	1,445,695

Note 1: Other sales primarily comprised National Merchants Association related businesses as well as the sales of waste and raw materials.

Note 2: Domestic Sales refers to sales in China and Taiwan

Reasons for the increase or decrease changes:

The sales volume in 2019 is higher than that in 2018. The main reason is that the Company employed the merchant association and media advertising support model to improve performance growth.

III. Number of Employees, Average Years of Service, Average Age, and Academic Background Distribution Ratio of Employees in the Last Two Years and up to :

Unit: Person

Year		End of 2018	End of 2019	March 31, 2020
Number of employees	Manager	10	11	13
	General Staff	395	454	431
	Production Line Staff	131	165	164
	Total	536	630	608
Average Age		29.38	29.73	31.09
Average Service Tenure (Years)		3.20	3.09	3.35
Academic Background Distribution Ratio	PhD Degree	0.19%	0.16%	0.16%
	Master's Degree	1.68%	1.75%	1.64%
	College	57.46%	58.57%	57.57%
	High School	17.35%	15.87%	16.12%
	Under High School	23.32%	23.65%	24.51%

(VI) Environmental Protection Expenditure Information

(I) A description of the application, payment, or establishment for those who must apply for a pollution facility installation permit, pollution discharge permit, pay pollution prevention costs, or set up an environmental protection unit according to the law:

The Company's main subsidiary in Mainland China -- Juwenlee (Fujian) Cosmetics Co., Ltd. -- has obtained the "Sewage Discharge Permit" issued and approved by the "Zhangzhou Taiwanese Investment Zone Environment and Safety Production Supervision Administration." On November 24, 2006, the "Construction Project Environmental Impact Report" for the initial construction project was approved by the Zhangzhou Environmental Protection Bureau. In August 2010, the initial construction project passed the acceptance inspection by the Zhangzhou Environmental Monitoring Station. On March 18, 2011, Zhangzhou Environmental Protection Bureau issued the "Acceptance Inspection Opinion" approving the environmental protection acceptance inspection for the completion of JUWENLEE's initial construction project. This Company has paid a sewage discharge fee according to the law, and its financial operation has not suffered a material adverse effect due to violation of environmental protection laws and regulations.

Pollution Prevention Expenditure Program	Payment Status
Raw Material Barrel Processing	Directly Recycled by the Original Supplier Without Additional Charge
Recycle Wastes, Such as Waste Packaging, Bottles, and Bags, Collectively	Development Zone Sanitation Department Regularly Collects and Disposes of Wastes for a Fee

Since the establishment of the Company, the Company has completed the EIA acceptance and obtained the sewage discharge permit (the latest license is valid from March 15, 2017 to March 14, 2022). In response to the Company's future development needs, the Company's status was reported to the Zhangzhou Taiwanese Investment Zone Economic Development Administration on May 30, 2016; and the Company has completed investment for the application to expand the annual output of cosmetics to 500 tons on December 1, 2017. The EIA report for the project expansion area was completed and approved by the experts on-site, the total amount of pollution discharge applied was approved, and the Company obtained the approval documents from the Zhangzhou Taiwanese Investment Zone Environment and Safety Production Supervision Administration on July 30, 2018 approving the Company's acceptance inspection record to expand the Company's annual cosmetics projects production to 500 tons. In addition, according to the response opinion of the Ministry of Ecology and Environment, Decree 11 "China MEP Published Management Catalog of Fixed Pollution Sources (2019)" issued by the Ministry of Ecology and Environment on December 20, 2019, the Company was divided into C2682 Cosmetics Industry and obtained a pollutant discharge permit on March 18, 2020.

In response to the Company's future development needs, the Company reported the application for expanding the annual output of cosmetics to 2,100 tons to the Zhangzhou Taiwanese Investment Zone Economic Development Administration once again on January 24, 2019. The expansion will be completed by virtue of renovation of the Company's existing factory premises, construction of automated production plant and smart warehousing center. The EIA report for the project expansion area was completed and approved by the experts on-site, and the Company obtained the approval documents from the Zhangzhou Taiwanese Investment Zone Ecological Environment Supervision Administration on December 31, 2019. For the time being, the factory premises expansion and renovation is under execution per the related planning.

(II) List the Company's investments in equipment primarily used to prevent and control environmental pollution, the application of such equipment, and the possible benefits:

December 31, 2019; Unit: NT\$1,000

Equipment Name	Quantity	Date Obtained	Investment Cost	Unreduced Balance	Application and Anticipation Possible Benefits
Pollution Treatment Equipment	1	Note	Note	Note	The pollution generated in the production is discharged to the Longchi Development Zone Pollution Treatment Plant after being treated using this equipment.
Integrated pollution Treatment Equipment Project	1	2018/1	355	291	
Underground polluted water treatment facilities and civil construction & renovation project	1	2019/1	2,658	1,772	
Plant waste water treatment system	1	2019/7	795	763	
Total			3,808	2,826	

Note 1: When the Company acquired the land and plant in 2011, the original pollution treatment equipment was included, so the acquisition cost for the pollution treatment equipment cannot be separated.

Note 2: The Company's acquisition of the environmental pollution prevention equipment was primarily settled at RMB. The Statement has converted it to the amount expressed by the currency applicable to the financial statements at the foreign exchange rate prevailing on December 31, 2019.

(III) In the last two years and as of the date of publication of the annual report, if the Company has improved environmental pollution and experienced pollution dispute incidents, the handling process must be explained: None.

(IV) The total amount for losses (including compensation) and fines suffered by the Company due to environmental pollution in the last year and as of the date of publication of the annual report, future countermeasures (including improvement measures), and possible expenditures (including the anticipated loss, disposition, and compensation amounts incurred for not adopting the response measures; and amounts cannot be reasonably estimated, describe why): None.

(V) The impacts that the current pollution status and improvement have on the Company's earnings, competitiveness position, and capital expenditures as well as the major environmental protection related capital expenditures for the next two years: None.

V. Labor Relations

(I) List the Company's employee welfare measures; education, training, retirement system, and their implementation status; and labor agreements as well as the various employee rights protection measures:

1. Employee Welfare Measures and Implementation Status

The Company has established an integrity supermarket, holiday gifts, cultural and recreational activities such as sports events, spring and mid-autumn festival parties, celebration activities, occasional dinners parties and sweepstakes, and Company product employee discounts in addition to the wedding and funeral welfare subsidies. Employees also have the opportunity to participate in various education and training opportunities in order to enhance their horizons and work efficiency.

2. Staff Education and Training Status

In order to improve the quality and work skills of employees while enhancing the efficiency and quality of their work, the Company has provided various employee education and training from time to time in order to cultivate outstanding talents, further improve operational performances, and achieve the goal of sustainable development.

3. Employee Retirement System and Implementation Status

The Company primarily operates within the territory of the People's Republic of China, and has provided social insurance (including pension, unemployment, medical care, childbirth, and work injury) for its employees pursuant to the "Social Insurance Law of the People's Republic of China."

Individuals who participate in the basic pension insurance and have paid the premium for fifteen years shall receive a basic pension on a monthly basis after reaching the statutory retirement age. Individuals who participate in the basic pension insurance and have paid the premium for less than fifteen years shall receive a basic pension on a monthly basis after reaching the statutory retirement age and paying the premium for full fifteen years. Employees can also be transferred to a new type of pension insurance for rural residents or social endowment insurance for urban and rural residents and enjoy the corresponding pension insurance benefits according to the provisions provided by the State Council.

4. Labor Agreement and Employee Rights Protection Implementation Status

The Company always attaches great importance to the rights and interests its employees. In addition to clearly defining the various working conditions, employees can submit their opinions at any time through meetings, emails, or mailboxes. The labor/employer communication channel is unimpeded and there have been no major labor disputes as of the publication date of this Annual Report.

5. Safety, Environment and Occupational Health & Sanitation Implementation Status

The Company is used to valuing employees' health and safety and uses its best efforts to provide a fair workplace with ISO 45001.. The new employees are not allowed to take the position until they complete the 3rd-level education program for safe production. The intra-company transferred employees must attend the safety education program again and then may be allowed to take the position. The employees must follow the three Nots policy, i.e. Not hurting self, Not hurting others, and Not being hurt

by others. To raise the safety awareness and practice the prevention work. To provide irregular and regular safety-related education program for current employees, including but not limited to, fire safety training or drills, traffic safety, safety of chemicals, safety of overhead work, and rehearsal of the handling methods applicable upon occurrence of various safety incidents.

To install or distribute labor protection gears and supplies for employees, subject to the nature of work and employment conditions, pursuant to the standards aligning with the Company's status. Each department must educate workers how to use the labor protection gears and supplies correctly, and check the employees' use of the same from time to time. The employees shall urge the working environment to be ready for prevention of heatstroke, freezing, noise, and dust, and conduct the regular sanitary monitoring and testing. Certain technical reform or health protection policy must be taken to deal with the operations beyond the scope of the national safety and health standards, in order to keep improving the employment conditions. To allocate the subsidy for health foods and special allowance to workers engaged in special works. To perform the physical checkup for the Company's employees periodically each year. To report the patients diagnosed to suffer occupational diseases to the HR department, which shall adjust the patients' positions if necessary and make decision about treatment or rest and recuperation. To prohibit female employees from being assigned to engage in toxic and harmful works that would affect the health of fetus and baby during pregnancy or breastfeeding.

In response to the COVID 19 in 2019, the Company established an epidemic prevention leading taskforce to implement the people flow control, isolation and environmental sterilization. In consideration of the employees' life safety and in response to the government's related precaution policies, the Company promotes the employees' resumption of their position in steps, and also propagate the precaution instructions to employees and start to prepare for various supplies. The workers returning back to work must register and take body temperature measurement at and off work. Those whose temperature exceeds 37.3 °C should be isolated and observed. Any person entering the factory premises needs to wear mouthpieces. The temporary isolation zone is installed inside the Company. The employees whose registered residence is located in the provinces where the epidemic condition is severe or who returned from Chinese Lunar Year holidays via such provinces are required to isolate themselves for 14 days and process their official work online, and shall come back to the office only after confirming that they have no relevant symptoms before resuming work. The Company implements the real-time follow-up on the epidemic condition and maintains the fair communication channel with the local governments within the jurisdictions where its subsidiaries are located to respond to the precaution policy-related operations.

(II) List the losses suffered by labor disputes in the most recent year and as of the publication date of the Annual Report, and disclose the amount of losses that may occur from such disputes in the future as well as the response measures. If the amount cannot be reasonably estimated, explain the facts behind why the reasonable estimation cannot be made: None.

VI. Important contracts

Supply and Sales Contracts, Technical Cooperation Contracts, Engineering Contracts, Long-term Loan Contracts, and Other Important Contracts in the Most Recent Year That are Currently Valid and can Affect the Rights of Investors:

Nature of Contract	Involved Parties	Valid Date	Main Content	Restriction Provisions
Supply and Marketing Contract	Juwenlee (Fujian) Cosmetics Co., Ltd. has a total of 24 strategic distributors in 31 provinces, municipalities, and autonomous regions.	2019/01~2019/12 (Note)	Contracted Shipment Delivery Conditions	Confidentiality Contracts Regional Restrictions
Technical Cooperation Contracts	Juwenlee (Fujian) Cosmetics Co., Ltd. and Zhongjing Biotechnology Co., Ltd.	2018/ 01~2021/12	Assist the Company in the analysis and application of cell technology to enhance the Company's future development capabilities.	1.Zhongjing Biotechnology Co., Ltd. owns the intellectual property rights of the technology under this agreement, which JUWENLEE shall not claim. 2.JUWENLEE shall keep all of the information regarding this agreement confidential indefinitely.
	Juwenlee (Fujian) Cosmetics Co., Ltd. and the China Research Institute of Daily Chemical Industry	2018/ 08~2019/08	Research on the evaluation methods of moisturizing, oil control, freckle removal, whitening, and other effects of cosmetics.	None
	Juwenlee (Fujian) Cosmetics Co., Ltd. and Xiamen Buyun Information Technology Co., Ltd.	2019/ 02~2019/12	Luo Lih-Fen skin care franchise management platform.	None
	Juwenlee (Fujian) Cosmetics Co., Ltd. and Tzu Chi Hospital	2019/06~2029/05	Industry-Academia Cooperation for Stem Cell Polypeptide Anti-Aging Obstetrics	None
	Juwenlee (Fujian) Cosmetics Co., Ltd. and Hungkuang University	2019/06~2020/05	Project for Development and Industrial Application of Cosmetics and Skin Care Products Based on Taiwan Hibiscus and Research Project for Development and Industrial Application of Raw Materials Based on Dihydromyricetin	None
Engineering Contracts	Juwenlee (Fujian) Cosmetics Co., Ltd. and Xiamen Yi Hua Chen Decoration Co., Ltd.	2019/07~2019/08	Demolition of inclined surrounding walls, renovation of exterior walls and ground surface maintenance	None
	Juwenlee (Fujian) Cosmetics Co., Ltd. and Fujian Barong Construction Development Co., Ltd.	2019/12~2019/12	Demolition of factory premises for expansion and renovation, and miscellaneous reconstruction work	None
Procurement of real estate	Lever Guide Biotech Co., Ltd. (TW) and natural person (non-related party)	2019/11	Procurement of real estate as the laboratory and GMP factory premises in the territories of Taiwan	None
	Lever Guide Biotech Co., Ltd. (TW) and natural person (non-related party)	2019/12		

Note: Zhejiang Province GLINGLUO 2017/01~2022/01

Six. Financial Status

I. Concise Financial Information for the Last Five Fiscal Years

(I) Concise Balance Sheet and Gain or Loss Statement - International Financial Reporting Standards

1. Concise Asset Balance Sheet

Unit: NT\$1,000

Items	Year	Financial Information for the Last Five Fiscal Years (Note 1)					Financial Information for the Year Ended on March 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current Assets		129,397	338,128	1,073,612	1,886,673	1,681,026	(Note 2)
Real Property, Plants, and Equipment		59,688	90,437	152,630	197,647	214,906	(Note 2)
Intangible Assets		140	813	1,775	1,603	9,449	(Note 2)
Other Assets		32,008	34,756	38,899	35,183	61,997	(Note 2)
Total Assets		221,233	464,134	1,266,916	2,121,106	2,195,479	(Note 2)
Current Liabilities	Before Distribution	219,091	367,156	334,533	416,227	336,262	(Note 2)
	After Distribution	238,599	420,510	479,733	717,787	-	(Note 2)
Non-current Liabilities		-	7,979	17,214	7,476	11,117	(Note 2)
Total Liabilities	Before Distribution	219,091	375,135	351,747	423,703	347,379	(Note 2)
	After Distribution	238,599	428,489	686,280	725,263	-	(Note 2)
Equity Attributable to the Owner of Parent Company		7,095	88,999	915,169	1,697,403	1,848,100	(Note 2)
Share Capital		26,888	52,409	330,000	430,800	473,880	(Note 2)
Capital Surplus		-	-	379,160	829,495	829,495	(Note 2)
Retained Earnings	Before Distribution	(19,639)	40,607	205,925	439,172	547,083	(Note 2)
	After Distribution	(39,147)	(12,747)	7,925	94,532	-	(Note 2)
Other Equity Interest		(154)	(4,017)	84	(2,064)	(2,358)	(Note 2)
Treasury stock		-	-	-	-	-	(Note 2)
Uncontrolled equity		(4,953)	-	-	-	-	(Note 2)
Total Equity	Before Distribution	2,142	88,999	915,169	1,697,403	1,848,100	(Note 2)
	After Distribution	(17,366)	35,645	717,169	1,395,843	-	(Note 2)

Note 1: 2015~2016 Condensed Consolidated Income Statement information is based on the pro forma Consolidated Financial Report certified by the CPA, and 2017~2019 Condensed Consolidated Income Statement information is based on the Consolidated Financial Report certified by the CPA.

Note 2: The financial statement for Q1 of 2020 as audited by CPA has not yet been announced prior to the date of publication of the annual report.

Note 3: The post-distribution numbers mentioned above refer to the numbers filled-in based on the Shareholders' Meeting resolution status for the following year.

2. Concise Income Statement

Unit: NT\$1,000

Items \ Year	Financial Information for the Last Five Fiscal Years (Note 1)					Financial Information for the Year Ended on March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Sales Revenue	210,098	434,653	868,559	1,358,184	1,445,695	(Note 2)
Operating Margin	113,899	224,944	524,280	910,524	979,789	(Note 2)
Operating Profit	15,197	104,506	315,173	572,166	527,236	(Note 2)
Non-operating Incomes and Expenses	895	13,952	3,577	11,274	42,104	(Note 2)
Profit Before Income Tax	16,092	118,458	318,750	583,440	569,340	(Note 2)
Net Profit of Continuing Operations Unit	11,652	84,665	240,015	431,247	497,740	(Note 2)
Loss From Units That Stopped Operations	-	-	-	-	-	(Note 2)
Net Profit (Loss) for Current Period	11,652	84,665	240,015	431,247	497,740	(Note 2)
Other consolidated income (net after tax)	95	(3,821)	(4,811)	(2,148)	(45,483)	(Note 2)
Total Consolidated Gains or Losses	11,747	80,844	235,204	429,099	452,257	(Note 2)
Net profit attributable to the owner of parent	11,609	78,614	240,015	431,247	497,740	(Note 2)
Net Profit Attributable to Non-controlling Interests	43	6,051	-	-	-	(Note 2)
Total Consolidated Gains or Losses Attributable to the Parent Company Owner	11,608	74,751	235,204	429,099	452,257	(Note 2)
Total Consolidated Profits or Losses Attributable to Non-controlling Interests	139	6,093	-	-	-	(Note 2)
Earnings per Share	0.35	2.38	7.27	11.09	10.50	(Note 2)

Note 1: 2015~2016 Condensed Consolidated Income Statement information is based on the pro forma Consolidated Financial Report certified by the CPA, and 2017~2019 Condensed Consolidated Income Statement information is based on the Consolidated Financial Report certified by the CPA.

Note 2: The financial statement for Q1 of 2020 as audited by CPA has not yet been announced prior to the date of publication of the annual report.

(II) CPA Names and Audit Opinions for the Last Five Years

Year	CPA Firm	CPA Name	Audit Opinion
2015	PwC Taiwan	Shih-Jung Weng, Chun-Yao Lin	Unqualified Opinion
2016	PwC Taiwan	Shih-Jung Weng, Chun-Yao Lin	Unqualified Opinion
2017	PwC Taiwan	Shih-Jung Weng, Chun-Yao Lin	Unqualified Opinion
2018	PwC Taiwan	Shih-Jung Weng, Chun-Yao Lin	Unqualified Opinion
2019	PwC Taiwan	Shih-Jung Weng, Chun-Yao Lin	Unqualified Opinion

Note: The Company only prepared the 2015~2016 pro forma Financial Report.

II. Financial analysis for the most recent five years

(I) Financial Analysis - International Financial Reporting Standards

Analysis Item \ Year		Financial analysis in the most recent five years (Note 1)					Financial Information for the Year Ended on March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt Ratio	99.03	80.82	27.76	19.98	15.82	(Note 2)
	Ratio of Long-Term Capital to Property, Plant and Equipment	3.59	107.23	610.88	862.59	770.64	(Note 2)
Solvency (%)	Current Ratio	59.06	92.09	320.93	453.28	499.92	(Note 2)
	Quick Ratio	34.22	59.01	299.60	435.04	464.98	(Note 2)
	Interest Earned Ratio (Times)	0	0	0	0	5,751.90	(Note 2)
Operating Performance	Accounts Receivable Turnover (Times)	6.50	8.39	35.26	1388.03	207.67	(Note 2)
	Average Collection Period	56.00	44.00	10.35	0.26	1.75	(Note 2)
	Inventory Turnover (Times)	1.94	2.33	3.94	8.49	7.03	(Note 2)
	Accounts Payable Turnover (Times)	2.96	4.30	7.04	12.27	12.50	(Note 2)
	Average Days in Sales	188	157	93	43	51.92	(Note 2)
	Property, Plant and Equipment Turnover (Times)	3.46	5.79	7.15	7.75	6.58	(Note 2)
	Total Assets Turnover (Times)	1.11	1.27	1.00	0.80	0.66	(Note 2)
Profitability	Return on Total Assets (%)	6.16	24.71	27.73	25.46	23.06	(Note 2)
	Return on Stockholders' Equity (%)	(312.26)	185.79	47.80	33.01	28.07	(Note 2)
	Pre-Tax Income to Paid-In Capital (%)	59.85	226.03	96.59	135.43	120.14	(Note 2)
	Profit Ratio (%)	5.55	19.48	27.63	31.75	34.42	(Note 2)
	Earnings Per Share (NT\$)	0.35	2.38	7.27	11.09	10.50	(Note 2)
Cash Flow	Cash Flow Ratio (%)	3.33	60.65	118.08	121.56	5.20	(Note 2)
	Cash Flow Adequacy Ratio (%)	34.34	108.82	189.02	208.03	129.36	(Note 2)
	Cash Reinvestment Ratio (%)	35.56	172.28	35.70	20.68	(14.77)	(Note 2)
Leverage	Operating Leverage	1.34	1.05	1.03	1.04	1.06	(Note 2)
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	(Note 2)

Please specify the reasons for the changes in the financial ratios for the past two years. (Analysis is exempt if the increase or decrease is less than 20%.)

- (1) Decrease in the liability to asset ratio: Primarily as a result of the Sino-US Trade War and real estate price decline resulting in the end-consumer demand decline, and the insufficient cash flow in the market resulting in distributors' reduction of the prepayment limit, thereby causing the decrease in unearned revenue.
- (2) No interest expenses have been derived from loans by the Company for the most recent two years, primarily as a result the application of the new statement of standards for recognition of the interest expenses derived from lease liabilities in 2019, which resulted in the increase in the interest coverage ratio.
- (3) Decrease in the turnover of receivables and increase in the number of cash collection days: Primarily as a result of the Company's collection condition for cash on delivery and authorization of specific limit to customers with fair goodwill, thereby causing the increase in the receivable accounts generated from individual customer's line of credit.
- (4) Increase in the average sales days: Primarily as a result of the increase in the Company's inventory for the new brand products.
- (5) Increase in the cash flow ratio: Primarily as a result of the inclusion of the time deposit products purchased by idle fund into the cash flow from investing activities, thereby causing the decrease in the net cash flow from operating activities.
- (6) Decrease in the cash flow adequacy ratio: Primarily as a result of the decrease in net cash flow.
- (7) Decrease in the cash reinvestment ratio: Primarily as a result of the decrease in net cash flow and payment of stock dividends, thereby causing the decrease in working capital.

Note 1: 2015~2016 Condensed Consolidated Income Statement information is based on the pro forma Consolidated Financial Report certified by the CPA, and 2017~2019 Condensed Consolidated Income Statement information is based on the Consolidated Financial Report certified by the CPA.

Note 2: The financial statement for Q1 of 2020 as audited by CPA has not yet been announced prior to the date of publication of the annual report.

Note 3: Calculation formula:

1. Financial Structure

(1) Liability to Assets Ratio = total liabilities/total assets.

(2) Ratio of Long-term Capital to Property, Plant, and Equipment = (total equity + non-current liabilities)/net property, plant, and equipment.

2. Solvency

(1) Current Ratio = current assets/current liabilities.

(2) Quick Ratio = (current assets - inventory - prepaid expenses)/current liabilities.

(3) Interest Guarantee Multiple = net interest before income tax and interest expenses/current interest expenses.

3. Management Capacity

(1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = net sales/average accounts receivable for various periods (including receivables and receivables due to operation) balance.

(2) Average Cash Receiving Days = 365/payment receivables turnover.

(3) Inventory Turnover = cost of goods sold/average inventory amount.

(4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold/average payables for each period (including accounts payable and bills payable as a result of operations).

(5) Average Number of Days Sales are Conducted = 365/inventory turnover.

(6) Real Estate, Plants, and Equipment Turnover = net sales/net average real estate, plants, and equipment.

(7) Total Asset Turnover = net sales/average total assets.

4. Profitability

(1) Return on assets = [after-tax income (loss) + interest expense \times (1 - tax rate)]/average total assets.

(2) Return on Equity = after tax profit/loss/average equity.

(3) Pure Income Rate = after-tax profit/loss/net sales.

(4) Earnings per Share = (profit or loss attributable to parent company owners - preferred stock dividends)/weighted average number of shares outstanding. (Note 4)

5. Cash flow

(1) Cash Flow Ratio = net cash flow from operating activities/current liabilities.

(2) Net Cash Flow Cash Flow Rate = net cash flow from operating activities in the last five years/last five years (capital expenditure + inventory increase + cash dividend).

(3) Cash Reinvestment Ratio = (net cash flow from operating activities - cash dividends)/(gross from property, plant, and equipment + long-term investments + other non-current assets + working capital) (Note 5)

6. Leverage:

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6).

(2) Financial Leverage = operating interest/(operating interest - interest expenses).

Note 4: The preceding formula for calculating the earnings per share must pay attention to the following:

1. Based on the weighted average number of ordinary shares rather than on the number of shares that have been issued at the end of the year.

2. Those who have cash replenishment or treasury shares must consider the circulation period and calculate the weighted average number of shares.

3. Where there is a surplus to increase capital or capital reserve to increase capital, the proportion of capital increase must be retrospectively adjusted when calculating the earnings per share for the previous annual and semi-annual periods, and there is no need to consider the capital increase issuance period.

4. If the preferred stock is a non-convertible accumulative preferred stock, its annual dividend (whether issued or not) must be subtracted from the net profit after tax, or the net loss after tax must be added. If the preferred stock is non-cumulative and in the case of net profit after tax, the preferred stock dividend must be deducted from the net profit after tax. If it is a loss, no adjustment is required.

Note 5: When measuring cash flow, special attention should be paid to the following items:

1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2. The capital expenditure refers to the number of cash outflows per year of capital investment.

3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.

4. The cash dividends include cash dividends from ordinary shares and preferred stocks.

5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 6: The issuer shall classify the various operating costs and operating expenses into fixed and variable terms according to their nature. If there is any estimation or subjective judgment, the issuer must pay attention to the rationality and maintain consistency.

Note 7: If the Company's shares are non-detailed or if the denomination of each share is not NT\$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owner of parent company.

III. Audit Committee Inspection Report of the Financial Report for the Most Recent Year

Audit Committee Inspection Report

The Board of Directors was approved to

prepare the Company's 2019 business report, financial statements and earnings distribution plan, in which the financial statements have been inspected by Shih-Jung Weng, CPA and Chun-Yao Lin, CPA of PwC Taiwan, who gave an unqualified opinion in their audit report. The Audit Committee, after completing the audit of said reports and statements prepared by the Board of Directors, believes that they are free of material misstatement, and thus produces this report according to Article 14-4 and Article 14-5 of the Securities and Exchange Act. Please review and approve it.

To:

2020 General Shareholders' Meeting of Luo Li-Fen Holding Co., Ltd.

Luo Lih-Fen Holding Co., Ltd.

Audit Committee

Convener: Hsiao-Ling Chou



March 9, 2020

IV. Financial Report for the Most Recent Year

**LUO LIH-FEN HOLDING CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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



REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Luo Lih-Fen Holding Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Luo Lih-Fen Holding Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. 10903600805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS), and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained

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is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter for the Group's consolidated financial statements of the current period is stated as follows:

Existence and occurrence of sales revenue arising from distributors

Description

For accounting policy applied on revenue recognition and related details of revenue, refer to Notes 4(27) and 6(17).

The Group's revenue is derived from the sales of goods and the rendering of skin-care consulting services, of which 95% of total sales arise from the sales of goods. Given that revenue is the Group's main operating activity and has significant risk, the Group's goods are sold by distributors, and a significant amount of resources is required in performing the audit through the testing of occurrence of sales transactions, we identified existence and occurrence of sales revenue from distributors a key audit matter.

How our audit addressed the matter

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

1. Tested internal control procedures on sales revenue, including orders processing, delivery, revenue recognition and write-off of advance collections, and assessed the effectiveness of control procedures.
2. Examined general information of main distributors, including the distributors' registration documents, name of representatives, list of major shareholders, registered address, amount of registered capital, main operating activities, and assessed the reasonableness of the existence of counterparties.

3. Performed confirmation with main distributors on the ending balance of advance collections and total sales revenue in order to confirm the rights of advance collections and the existence and occurrence of sales revenue.
4. Selected a sample of sales transactions during current year, and inspected related sales orders, delivery notes, delivery orders, waybills and invoices in order to assess the reasonableness of sale revenue recognition.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.


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


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 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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.


Weng, Shih-Jung


Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan
March 9, 2020

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

LUO LIH-FEN HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 843,142	38	\$ 1,782,992	84
1110	Current financial assets at fair value	6(2)				
	through profit or loss		391,079	18	-	
1136	Current financial assets at amortised	6(3)				
	cost		299,800	14	2,900	-
1170	Accounts receivable, net	6(4)	10,696	1	1,530	-
1180	Accounts receivable - related parties	7	1,697	-	-	-
1199	Finance lease receivable due from	6(9)				
	related parties, net		959	-	-	-
1200	Other receivables		8,580	-	4,909	-
130X	Inventories	6(5)	77,728	4	53,724	3
1410	Prepayments		39,742	2	22,178	1
1479	Other current assets, others		7,603	-	18,440	1
11XX	Current Assets		1,681,026	77	1,886,673	89
Non-current assets						
1535	Non-current financial assets at	6(3)				
	amortised cost		193,725	9	-	-
1550	Investments accounted for using	6(6)				
	equity method		8,028	-	-	-
1600	Property, plant and equipment	6(7) and 7	214,906	10	197,647	9
1755	Right-of-use assets	6(8)	26,348	1	-	-
1780	Intangible assets	6(10)	9,449	-	1,603	-
1840	Deferred income tax assets	6(23)	14,389	1	9,211	1
194K	Long-term finance lease receivable	6(9)				
	due from related parties, net		3,919	-	-	-
1990	Other non-current assets, others	6(8), 8 and 11	43,689	2	25,972	1
15XX	Non-current assets		514,453	23	234,433	11
1XXX	Total assets		\$ 2,195,479	100	\$ 2,121,106	100

(Continued)

LUO LIH-FEN HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Current contract liabilities	6(11) and 7	\$ 73,189	3	\$ 161,061	8
2170	Accounts payable		23,298	1	44,498	2
2180	Accounts payable - related parties	7	6,725	-	-	-
2219	Other payables, others	6(12)	186,903	9	132,400	6
2230	Current income tax liabilities		20,411	1	58,562	3
2280	Current lease liabilities	7	3,814	-	-	-
2399	Other current liabilities, others		21,922	1	19,706	1
21XX	Current Liabilities		336,262	15	416,227	20
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	4,604	-	7,441	-
2580	Non-current lease liabilities	7	6,063	1	-	-
2670	Other non-current liabilities, others		450	-	35	-
25XX	Non-current liabilities		11,117	1	7,476	-
2XXX	Total Liabilities		347,379	16	423,703	20
Equity						
Equity attributable to owners of parent						
Share capital 6(14)						
3110	Share capital - common stock		473,880	21	430,800	20
Capital surplus 6(15)						
3200	Capital surplus		829,495	38	829,495	39
Retained earnings 6(16)						
3310	Legal reserve		43,125	2	-	-
3320	Special reserve		2,064	-	-	-
3350	Unappropriated retained earnings		547,083	25	439,172	21
Other equity interest						
3400	Other equity interest		(47,547)	(2)	(2,064)	-
3XXX	Total equity		1,848,100	84	1,697,403	80
Significant contingent liabilities and unrecognized contract commitments 9						
Significant events after balance sheet date 11						
3X2X	Total liabilities and equity		\$ 2,195,479	100	\$ 2,121,106	100

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

LUO LIH-FEN HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31			
Items	Notes	2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(17) and 7	\$ 1,445,695	100	\$ 1,358,184	100
5000 Operating costs	6(5)(21)(22) and 7	(465,906)	(32)	(447,660)	(33)
5900 Net operating margin		979,789	68	910,524	67
Operating expenses	6(21)(22) and 7				
6100 Selling expenses		(232,657)	(16)	(158,008)	(12)
6200 General and administrative expenses		(152,623)	(11)	(140,206)	(10)
6300 Research and development expenses		(67,273)	(5)	(40,144)	(3)
6000 Total operating expenses		(452,553)	(32)	(338,358)	(25)
6900 Operating profit		527,236	36	572,166	42
Non-operating income and expenses					
7010 Other income	6(18) and 7	49,440	3	13,296	1
7020 Other gains and losses	6(19)	(7,527)	-	(2,022)	-
7050 Finance costs	6(20) and 7	(99)	-	-	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(6)	290	-	-	-
7000 Total non-operating income and expenses		42,104	3	11,274	1
7900 Profit before income tax		569,340	39	583,440	43
7950 Income tax expense	6(23)	(71,600)	(5)	(152,193)	(11)
8200 Profit for the year		\$ 497,740	34	\$ 431,247	32
Other comprehensive income					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Other comprehensive income, before tax, exchange differences on translation		(\$ 45,391)	(3)	(\$ 2,148)	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(92)	-	-	-
8500 Total comprehensive income for the year		\$ 452,257	31	\$ 429,099	32
Basic earnings per share (in dollars)	6(24)				
9750 Basic earnings per share		\$ 10.50		\$ 10.08	
Diluted earnings per share (in dollars)	6(24)				
9850 Diluted earnings per share		\$ 10.50		\$ 10.08	

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

LUO LIH-FEN HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent							
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings			Financial statements translation differences of foreign operations	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings		
<u>For the year ended December 31, 2018</u>								
Balance at January 1, 2018		\$ 330,000	\$ 379,160	\$ -	\$ -	\$ 205,925	\$ 84	\$ 915,169
Profit for 2018		-	-	-	-	431,247	-	431,247
Other comprehensive loss for 2018		-	-	-	-	-	(2,148)	(2,148)
Total comprehensive income (loss)		-	-	-	-	431,247	(2,148)	429,099
Appropriation of 2017 earnings:	6(16)							
Cash dividends		-	-	-	-	(145,200)	-	(145,200)
Stock dividends		52,800	-	-	-	(52,800)	-	-
Issuance of common stock		48,000	450,335	-	-	-	-	498,335
Balance at December 31, 2018		<u>\$ 430,800</u>	<u>\$ 829,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,172</u>	<u>(\$ 2,064)</u>	<u>\$ 1,697,403</u>
<u>For the year ended December 31, 2019</u>								
Balance at January 1, 2019		\$ 430,800	\$ 829,495	\$ -	\$ -	\$ 439,172	\$ 2,064	\$ 1,697,403
Profit for 2019		-	-	-	-	497,740	-	497,740
Other comprehensive loss for 2019		-	-	-	-	-	(45,483)	(45,483)
Total comprehensive income (loss)		-	-	-	-	497,740	(45,483)	452,257
Appropriation of 2018 earnings:	6(16)							
Legal reserve		-	-	43,125	-	(43,125)	-	-
Special reserve		-	-	-	2,064	(2,064)	-	-
Cash dividends		-	-	-	-	(301,560)	-	(301,560)
Stock dividends		43,080	-	-	-	(43,080)	-	-
Balance at December 31, 2019		<u>\$ 473,880</u>	<u>\$ 829,495</u>	<u>\$ 43,125</u>	<u>\$ 2,064</u>	<u>\$ 547,083</u>	<u>(\$ 47,547)</u>	<u>\$ 1,848,100</u>

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

LUO LIH-FEN HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 569,340	\$ 583,440
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets at fair value through profit or loss		(8,081)	-
Depreciation expense	6(7)(21)	31,392	19,707
Depreciation expense on right-of-use assets	6(8)(21)	2,569	-
Amortization expense	6(10)(21)	1,366	532
Long-term prepaid rents recognised as expenses		-	680
Interest income	6(18)	(36,314)	(11,739)
Interest expense on lease liabilities	6(8)(20)	99	-
Share of profit of associates and joint ventures accounted for using equity method	6(6)	-	-
Loss on disposal of property, plant and equipment	6(19)	11,127	491
Gain on lease modifications	6(8)	(25)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		(397,217)	-
Accounts receivable, net		(9,166)	(1,103)
Accounts receivable - related parties		(1,697)	-
Other receivables		3,172	1,464
Inventories		(24,004)	(2,682)
Prepayments		(17,564)	(1,877)
Other current assets, others		10,837	(14,802)
Other non-current assets		(1,455)	(1,807)
Changes in operating liabilities			
Current contract liabilities		(85,034)	36,540
Accounts payable		(21,200)	16,020
Accounts payable - related parties		6,725	-
Other payables		68,430	21,070
Other current liabilities, others		2,216	1,035
Other non-current liabilities, others		415	35
Cash inflow generated from operations		105,641	647,004
Interest received		29,090	7,643
Income tax paid		(117,234)	(148,687)
Net cash flows from operating activities		17,497	505,960
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in current financial assets at amortised cost		(296,900)	(2,900)
Increase in non-current financial assets at amortised cost		(193,725)	-
Acquisition of investments accounted for using equity method		(7,830)	-
Acquisition of property, plant and equipment	6(25)	(73,041)	(64,784)
Proceeds from disposal of property, plant and equipment		292	-
Acquisition of intangible assets	6(25)	(8,718)	(393)
Net cash flows used in investing activities		(579,922)	(68,077)
CASH FLOWS FROM FINANCING ACTIVITIES			
Other non-current assets		(38,940)	-
Return of principal of lease liabilities		(2,244)	-
Proceeds from issuance of common stock	6(14)	-	498,335
Cash dividends paid	6(16)	(301,560)	(145,200)
Net cash flows (used in) from financing activities		(342,744)	353,135
Effect of exchange rate changes on cash and cash equivalents		(34,681)	(3,953)
Net (decrease) increase in cash and cash equivalents		(939,850)	787,065
Cash and cash equivalents at beginning of year		1,782,992	995,927
Cash and cash equivalents at end of year		\$ 843,142	\$ 1,782,992

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

LUO LIH-FEN HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Luo Lih-Fen Holding Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on September 21, 2016. The Company was established as part of an organizational restructuring as a result of applying for listing on the Taiwan Stock Exchange. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research and development, manufacturing and sales of skin care products. The Company was listed on the Taiwan Stock Exchange starting from November 19, 2018.

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

These consolidated financial statements were reported to the Board of Directors on March 9, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' and 'lease liability' by \$28,089 and \$5,790 and decreased other non-current assets by \$22,299 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group calculated the present value of lease liabilities by using the lessee's incremental borrowing interest rate of 1.41%.
- D. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	2,900
Add: Adjustments of a reasonable assessment of extension and termination options		3,100
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	6,000
Incremental borrowing interest rate at the date of initial application		1.41%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	5,790

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

Financial assets (including derivative instruments) at fair value through profit or loss.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
The Company	Luo Lih-Fen Group Limited	Holding company	100%	100%	
The Company	Luo Lih-Fen Enterprise Limited	General investment	100%	100%	Note 1
The Company	Lever Guide Biotech Co., Ltd.	Manufacturing and sales of beauty and skin care products	100%	-	Note 3
Luo Lih-Fen Group Limited	Juvenilee (Fujian) Cosmetics Co., Ltd.	Manufacturing and sales of beauty and skin care products	100%	100%	
Luo Lih-Fen Group Limited	Huiwenli (Fujian) Enterprise Management Co., Ltd.	General investment	100%	-	Note 2
Juvenilee (Fujian) Cosmetics Co., Ltd.	Xiamen Luo Lih-Fen Cosmetics Co., Ltd.	Sales of beauty and skin care products	100%	100%	
Juvenilee (Fujian) Cosmetics Co., Ltd.	Xiamen Sunlily Cosmetics Co., Ltd.	Sales of beauty and skin care products	100%	100%	
Juvenilee (Fujian) Cosmetics Co., Ltd.	Xiamen Glingluo Cosmetics Co., Ltd.	Sales of beauty and skin care products	100%	100%	
Juvenilee (Fujian) Cosmetics Co., Ltd.	Xiamen Draise Cosmetics Co., Ltd.	Sales of beauty and skin care products	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Juwenlee (Fujian) Cosmetics Co., Ltd.	LiChuang (Fujian) Bio-Technology Co., Ltd.	Sales of beauty and skin care products	100%	-	Note 6
Juwenlee (Fujian) Cosmetics Co., Ltd.	Zhangzhou Kangqili Health Management Co., Ltd.	Sales of beauty and skin care products	100%	-	Note 7
Huiwenli (Fujian) Enterprise Management Co., Ltd.	Zhangzhou Healthy Skin Clinic Co., Ltd.	Consulting service of beauty and skin care	100%	-	Note 4
Huiwenli (Fujian) Enterprise Management Co., Ltd.	Zhangzhou Kangbaoli Biologic Technology Co., Ltd.	Consulting service of beauty and skin care	100%	-	Note 5

Note 1: To develop business and provide services for investors in Taiwan, the Company established Luo Lih-Fen Enterprise Limited in June 2018 in Taiwan.

Note 2: For the purpose of expanding the scope of operations in the Mainland China market, the Group's subsidiary, Luo Lih-Fen Group Limited, as resolved at the shareholders' meeting, proposed to invest \$182,600 (RMB 40 million) and establish Huiwenli (Fujian) Enterprise Management Co., Ltd. on March 10, 2018. As of March 9, 2020, the actual capital injection was \$182,144 (RMB 39.90 million).

Note 3: For the purpose of expanding the scope of operations in the Taiwan market, the Company invested \$210,000 and established Lever Guide Biotech Co., Ltd. in June 2019.

Note 4: For the purpose of expanding customised products market for high-end customers, the second-tier subsidiary, Huiwenli (Fujian) Enterprise Management Co., Ltd., as resolved at the shareholders' meeting, invested \$13,566 (RMB 3 million) and established Zhangzhou Healthy Skin Clinic Co., Ltd. on May 9, 2019.

Note 5: For the purpose of developing health and beauty related businesses, the second-tier subsidiary, Huiwenli (Fujian) Enterprise Management Co., Ltd., as resolved at the shareholders' meeting, invested \$22,590 (RMB 5 million) and established Zhangzhou Kangbaoli Biologic Technology Co., Ltd. on July 10, 2019.

Note 6: For the purpose of expanding the sales of skin care products, the second-tier subsidiary, Juwenlee (Fujian) Cosmetics Co., Ltd., as resolved at the shareholders' meeting, invested \$60,718 (RMB 14 million) and established LiChuang (Fujian) Bio-Technology Co., Ltd. on November 11, 2019.

Note 7: For the purpose of expanding the sales of health-preserving skin care products, the second-tier subsidiary, Juwenlee (Fujian) Cosmetics Co., Ltd., as resolved at the shareholders' meeting, invested \$21,680 (RMB 5 million) and established Zhangzhou Kangqili Health Management Co., Ltd. on December 6, 2019. As of March 9, 2020, the capital injection has not yet been completed.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD under the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

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

(10) Impairment of financial assets

For financial assets at amortised cost, including accounts receivable that have a significant financing component and lease receivables, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Leasing arrangements (lessor) – lease receivables/ operating leases

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as 'unearned finance income of finance lease'.

- (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.
- (c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

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

(14) Investments accounted for using equity method / associates

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

(15) Property, plant and equipment

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

Buildings and structures	20~40 years
Machinery and equipment	3~10 years
Transportation equipment	4~10 years
Office equipment	3~5 years

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

Effective 2019

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

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

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

(17) Leased assets/ operating leases (lessee)

Prior to 2019

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

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 to 10 years.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Accounts payable

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions - defined contribution plans

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

C. Employees' compensation and directors' and supervisors' remuneration

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

(24) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells a range of skin care products. Sales are recognised when control of the products has been transferred, being when the products are delivered to the distributor, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Skin care consulting service

The Group provides skin care consulting services. Revenue from providing services are recognised in the accounting period in which the services are rendered.

(28) Government grants

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

(29) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 1,348	\$ 221
Checking accounts and demand deposits	706,885	159,279
Time deposits	134,909	1,623,492
	<u>\$ 843,142</u>	<u>\$ 1,782,992</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Corporate bonds	\$ 23,631	\$ -
Structured deposits	365,925	-
	389,556	-
	1,523	-
Valuation adjustment	<u>\$ 391,079</u>	<u>\$ -</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Corporate bonds	\$ 1,280	\$ -
Structured deposits	6,801	-
	<u>\$ 8,081</u>	<u>\$ -</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

	December 31, 2019	December 31, 2018
Current items:		
Time deposits maturing in excess of three months	<u>\$ 299,800</u>	<u>\$ 2,900</u>
Non-current items:		
Time deposits maturing in excess of one year	<u>\$ 193,725</u>	<u>\$ -</u>

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

	Years ended December 31,	
	2019	2018
Interest income	<u>\$ 22,742</u>	<u>\$ -</u>

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's financial assets at amortised cost were both the book value at the end of the year.

C. The Group has no financial assets at amortised cost pledged to others as collateral.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	<u>\$ 10,696</u>	<u>\$ 1,530</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2019	December 31, 2018
Not past due	\$ 10,696	\$ 1,530

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$427.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were both the book value at the end of the year.

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

(5) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 23,099	(\$ 19)	\$ 23,080
Work in progress	12,607	-	12,607
Finished goods	42,512	(471)	42,041
	<u>\$ 78,218</u>	<u>(\$ 490)</u>	<u>\$ 77,728</u>

December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 14,273	(\$ 70)	\$ 14,203
Work in progress	4,298	-	4,298
Finished goods	35,667	(444)	35,223
	<u>\$ 54,238</u>	<u>(\$ 514)</u>	<u>\$ 53,724</u>

The cost of inventories recognised as expense for the year:

Years ended December 31,		
	2019	2018
Cost of goods sold	\$ 401,825	\$ 358,930
(Gain on reversal of) loss on decline in market value	(6)	381
Loss on disposal of inventory	1,039	75
Cost of goods sold in relation to inventories	402,858	359,386
Cost in relation to skin care consulting service	63,048	88,274
	<u>\$ 465,906</u>	<u>\$ 447,660</u>

The Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because the inventories were subsequently disposed or sold.

(6) Investments accounted for using equity method

	<u>December 31, 2019</u>
Associates:	
Xiamen Senlinhai Industry & Trade Co., Ltd.	<u>\$ 8,028</u>

- A. For the purpose of integrating the upstream supply chain, the second-tier subsidiary, Juwenlee (Fujian) Cosmetics Co., Ltd., as resolved at the shareholders' meeting, invested \$7,830 (RMB 1.8 million) and acquired 30% equity interest in Xiamen Senlinhai Industry & Trade Co., Ltd. in August 2019.
- B. As of December 31, 2019, the carrying amount of the Group's interests in all individually immaterial associates was \$8,028 and the Group's share of the operating results are summarised below:

	<u>Year ended December 31, 2019</u>
Profit for the year from continuing operations	\$ 290
Other comprehensive income, net of tax	(92)
Total comprehensive income	<u>\$ 198</u>

(7) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Leased equipment	Office equipment	Transportation equipment	Construction in progress	Total
<u>At January 1, 2019</u>							
Cost	\$ 154,177	\$ 64,661	\$ -	\$ 7,335	\$ 4,431	\$ 6,871	\$ 237,475
Accumulated depreciation	(22,352)	(14,491)	-	(1,379)	(1,606)	-	(39,828)
	\$ 131,825	\$ 50,170	\$ -	\$ 5,956	\$ 2,825	\$ 6,871	\$ 197,647
<u>2019</u>							
Opening net book amount as at							
January 1	\$ 131,825	\$ 50,170	\$ -	\$ 5,956	\$ 2,825	\$ 6,871	\$ 197,647
Additions	13,780	15,448	5,485	265	28,067	2,100	65,145
Transfers	7,983	1,711	-	124	-	(6,871)	2,947
Disposals	(10,953)	(261)	-	-	(205)	-	(11,419)
Depreciation charges	(20,352)	(8,134)	(180)	(1,446)	(1,280)	-	(31,392)
Net exchange differences	(4,565)	(2,152)	-	(184)	(1,043)	(78)	(8,022)
At December 31	\$ 117,718	\$ 56,782	\$ 5,305	\$ 4,715	\$ 28,364	\$ 2,022	\$ 214,906
<u>At December 31, 2019</u>							
Cost	\$ 154,611	\$ 77,814	\$ 5,485	\$ 7,435	\$ 30,927	\$ 2,022	\$ 278,294
Accumulated depreciation	(36,894)	(21,032)	(180)	(2,720)	(2,562)	-	(63,388)
	\$ 117,717	\$ 56,782	\$ 5,305	\$ 4,715	\$ 28,365	\$ 2,022	\$ 214,906

	Buildings and structures	Machinery and equipment	Leased equipment	Office equipment	Transportation equipment	Construction in progress	Total
<u>At January 1, 2018</u>							
Cost	\$ 144,275	\$ 27,809	\$ -	\$ 2,338	\$ 2,767	\$ -	\$ 177,189
Accumulated depreciation	(11,194)	(11,564)	-	(584)	(1,217)	-	(24,559)
	<u>\$ 133,081</u>	<u>\$ 16,245</u>	<u>\$ -</u>	<u>\$ 1,754</u>	<u>\$ 1,550</u>	<u>\$ -</u>	<u>\$ 152,630</u>
<u>2018</u>							
Opening net book amount as at							
January 1	\$ 133,081	\$ 16,245	\$ -	\$ 1,754	\$ 1,550	\$ -	\$ 152,630
Additions	14,055	38,626	-	1,032	1,723	7,006	62,442
Transfers	1,312	788	-	4,699	-	-	6,799
Disposals	-	(317)	-	(174)	-	-	(491)
Depreciation charges	(13,883)	(4,165)	-	(1,237)	(422)	-	(19,707)
Net exchange differences	(2,740)	(1,007)	-	(118)	(26)	(135)	(4,026)
At December 31	<u>\$ 131,825</u>	<u>\$ 50,170</u>	<u>\$ -</u>	<u>\$ 5,956</u>	<u>\$ 2,825</u>	<u>\$ 6,871</u>	<u>\$ 197,647</u>
<u>At December 31, 2018</u>							
Cost	\$ 154,177	\$ 64,661	\$ -	\$ 7,335	\$ 4,431	\$ 6,871	\$ 237,475
Accumulated depreciation	(22,352)	(14,491)	-	(1,379)	(1,606)	-	(39,828)
	<u>\$ 131,825</u>	<u>\$ 50,170</u>	<u>\$ -</u>	<u>\$ 5,956</u>	<u>\$ 2,825</u>	<u>\$ 6,871</u>	<u>\$ 197,647</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation: None.

B. The Group has no property, plant and equipment pledged to others as collaterals.

(8) Leasing arrangements - lessee

Effective 2019

- A. The Group leases various assets including buildings and land use right. Rental contracts are typically made for periods of 1 to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise leasing of buildings and parking spaces, which were excluded from the right-of-use assets.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Year ended	
	December 31, 2019	December 31, 2019
	Carrying amount	Depreciation charge
Buildings	\$ 5,525	\$ 1,902
Land use right	20,823	667
	<u>\$ 26,348</u>	<u>\$ 2,569</u>

The Group entered into a land use right contract to acquire the use of the land with a term of 40 years in Baijiao Village, Jiaomei Town, Longhai City; Longchi Development Area, Longhai City, Jiaomei Town and Baijiao and Jinshan Village, Jiaomei Town, Longhai City in February 2009 and March 2014. The registration for the land use right was completed.

The carrying amount of the abovementioned land use right on December 31, 2018 was \$22,299, and was shown as 'Other non-current assets'.

- D. For the year ended December 31, 2019, the addition to right-of-use assets was \$14,054.
- E. For the year ended December 31, 2019, the disposal of right-of-use assets was \$12,417 and gain arising from lease modifications was \$25 (shown as 'Other gains and losses').
- F. The information on profit and loss accounts relating to lease contracts is as follows:

<u>Items affecting profit or loss</u>	Year ended	
	December 31, 2019	
Interest expense on lease liabilities	\$	99
Expense on short-term lease contracts		340
Gain on sublease of right-of-use assets		639

- G. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$2,584.

(9) Leasing arrangements - lessor

Effective 2019

A. The Group leases various assets including buildings and machinery and equipment. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

B. The Group has subleased part of leased right-of-use assets to others which have been classified as the finance lease since the sublease term covers the entire remaining term of the master lease. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31, 2019
Finance income from the net investment in the finance lease	\$ 639

C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	December 31, 2019
2020	\$ 4,571
2021	4,571
2022	2,286
	<u>\$ 11,428</u>

D. Reconciliation of the undiscounted lease payments and the net investment in the finance lease is provided as follows:

	December 31, 2019	
	Current	Non-Current
Undiscounted lease payments	\$ 4,571	\$ 6,857
Unearned finance income	(3,612)	(2,938)
Net investment in the lease	<u>\$ 959</u>	<u>\$ 3,919</u>

E. For the year ended December 31, 2019, the Group recognised rent income in the amount of \$477, based on the operating lease agreement, which does not include variable lease payments.

F. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2019
2020	<u>\$ 2,594</u>

(10) Intangible assets

	2019	2018
Cost	\$ 2,595	\$ 2,256
Accumulated amortisation	(992)	(481)
	<u>\$ 1,603</u>	<u>\$ 1,775</u>
At January 1	\$ 1,603	\$ 1,775
Additions — acquired separately	9,579	393
Amortisation charge	(1,366)	(532)
Net exchange differences	(367)	(33)
At December 31	<u>\$ 9,449</u>	<u>\$ 1,603</u>
Cost	\$ 11,720	\$ 2,595
Accumulated amortisation	(2,271)	(992)
	<u>\$ 9,449</u>	<u>\$ 1,603</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
General and administrative expenses	<u>\$ 1,366</u>	<u>\$ 532</u>

B. Amount of borrowing costs capitalised as part of intangible assets and the range of the interest rates for such capitalisation: None.

C. The Group has no intangible assets pledged to others as collateral.

(11) Contract liabilities

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities	<u>\$ 73,189</u>	<u>\$ 161,061</u>	<u>\$ 127,831</u>

A. Contract liabilities arose mainly from sales received in advance, and will be recognised as revenue when the goods are delivered.

B. Revenue recognised that was included in the contract liability balance at the beginning of the year.

	Years ended December 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>\$ 159,426</u>	<u>\$ 127,689</u>

(12) Other payables

	December 31, 2019	December 31, 2018
Accrued commission	\$ 77,986	\$ 39,749
Insurance payable	50,321	34,585
Tax payable	26,194	21,671
Wages and salaries payable	18,192	12,997
Directors' remuneration payable	7,200	7,200
Payable on constructions	733	8,629
Other payables	6,277	7,569
	<u>\$ 186,903</u>	<u>\$ 132,400</u>

(13) Pensions

- A. The Company's Taiwanese subsidiary has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2019 and 2018 ranged between 12%–18% and 14%–18%, respectively. Other than the monthly contributions, the Group has no further obligations.
- C. The pension cost under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$21,566 and \$16,347, respectively.

(14) Share capital

- A. On May 3, 2018, the shareholders resolved to distribute stock dividends from the earnings of year 2017 amounting to \$52,800, equivalent to 5,280 thousand shares, and the record date was May 7, 2018. The registration for the distribution of stock dividends had been completed.
- B. In accordance with the Securities and Exchange Act Article 28-1, on March 23, 2018, the Board of Directors resolved to increase capital by issuing common stock of 4.8 million shares with par value of \$10, at an issue price of NT\$105 per share. The capital increase was effective from October 2, 2018, and the Company's chairperson has been authorised to determine the record date, being November 15, 2018. The registration for the capital increase had been completed.
- C. On June 18, 2019, the shareholders resolved to distribute stock dividends from the earnings of year 2018 amounting to \$43,080, equivalent to 4,308 thousand shares, and the record date was July 17, 2019. The registration for the distribution of stock dividends had been completed.
- D. As of December 31, 2019, the Company's paid-in capital was \$473,880 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

- A. Unless otherwise provided in the Companies Law of the Cayman Islands, listed companies' regulations, and the company's Articles of Incorporation, neither the statutory reserve nor the capital reserve shall be used except for offsetting the losses of the Company. The Company shall not use the capital reserve to offset its capital losses unless the statutory reserve and special reserve set aside for purposes of loss offset is insufficient to offset such losses.
- B. During the listing period, subject to the Companies Law of the Cayman Islands, where the Company incurs no loss, it may, by a special resolution, distribute its statutory reserve, the share premium account and/or the income from endowments received by the Company, which are in the capital reserve which are available for distribution, in whole or in part, by issuing new, fully paid shares and/or by cash to its shareholders.

(16) Retained earnings

- A. During the listing period, subject to the Companies Law of the Cayman Islands, listed companies' regulations, and the Company's Articles of Incorporation, and except as otherwise provided by the rights attaching to any shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the statutory reserve of the remaining profits in accordance with the listed companies' regulations (provided that the setting aside of the statutory reserve does not apply if the aggregate amount of the statutory reserve amounts to the Company's total issued capital), and setting aside the special reserve (if any), the Company may distribute not less than ten percent (10%) of the remaining balance (including the amounts reversed from the special reserve), plus undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an ordinary resolution passed at an annual general meeting of the Company duly convened and held in accordance with the Company's Articles to the shareholders as dividends/bonuses in proportion to the number of shares held by them respectively pursuant to the Company's Articles, provided that, cash dividends/bonuses shall not be less than ten percent (10%) of the total amount of dividends/bonuses to shareholders.
- B. As the Company is in the growing stage, the dividend/bonuses of the Company may be distributed in the form of cash dividends/bonuses and/or stock dividends/bonuses. The Company shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development needs in assessing the amount of dividends/bonuses the Company wish to distribute.

C. Appropriation of earnings

- (a) The appropriation of 2018 and 2017 earnings had been resolved at the annual shareholders' meeting on June 18, 2019 and May 3, 2018, respectively. Details are summarized below:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 43,125		\$ -	
Special reserve	2,064		-	
Cash dividends	301,560	\$ 7.00	145,200	\$ 4.40
Stock dividends	43,080	1.00	52,800	1.60
	<u>\$ 389,829</u>		<u>\$ 198,000</u>	

- (b) Subsequent event: The appropriation of 2019 earnings had been proposed at the Board of Directors' meeting on March 9, 2020. Details are summarized below:

	Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 49,774	
Special reserve	45,483	
Cash dividends	331,716	\$ 7.00
	<u>\$ 426,973</u>	

As of March 9, 2020, the aforementioned appropriation of 2019 earnings has not yet been resolved at the shareholders' meeting.

- D. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

(17) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers:		
Sales revenue	\$ 1,371,691	\$ 1,242,858
Skin care consulting service	74,004	115,326
	<u>\$ 1,445,695</u>	<u>\$ 1,358,184</u>

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

(18) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 12,933	\$ 11,739
Interest income from financial assets at amortised cost	22,742	-
Interest income from finance leases	639	-
Rental income	477	133
Other income	12,649	1,424
	<u>\$ 49,440</u>	<u>\$ 13,296</u>

(19) Other gains and losses

	Years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	(\$ 11,127)	(\$ 491)
Foreign exchange losses	(2,650)	(161)
Gain on financial assets at fair value through profit or loss	8,081	-
Miscellaneous disbursements	(1,831)	(1,370)
	<u>(\$ 7,527)</u>	<u>(\$ 2,022)</u>

(20) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense on lease liabilities	\$ 99	\$ -

(21) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 347,949	\$ 223,848
Event planning expense	58,577	81,496
Advertising costs	35,239	45,074
Depreciation charges on property, plant and equipment	31,392	19,707
Depreciation charges on right-of-use assets	2,569	-
Amortisation charges on intangible assets	1,366	1,212

(22) Employee benefit expense

	Years ended December 31,	
	2019	2018
Salary expenses	\$ 284,792	\$ 184,025
Labour and health insurance fees	984	223
Pension costs	21,566	16,347
Other personnel expenses	40,607	23,253
	<u>\$ 347,949</u>	<u>\$ 223,848</u>

A. Except as otherwise set forth by the Companies Law of the Cayman Islands, listed companies' regulations, and the Company's Articles of Incorporation, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the directors present at a meeting attended by at least two-thirds or more of the total number of the directors, the Company may distribute not less than 1% of the profits for such year to the employees as the employees' compensation in the form of shares and/or in cash and may distribute not more than 3% thereof to the directors as the directors' compensation, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and directors in the proportion set out above.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$5,000 and \$4,500, respectively; while directors' remuneration was accrued at \$7,200 and \$9,120, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 1.4% of distributable profit of current year for the year ended December 31, 2019. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$5,000 and \$7,200, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration for 2018 as resolved by the Board of Directors amounted to \$4,500 and \$9,120, respectively, and were in agreement with those amounts recognised in the 2018 financial statements.

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

(23) Income tax

A. Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 93,564	\$ 163,983
Prior year income tax (over estimation) under estimation	(13,949)	404
Total current tax	<u>79,615</u>	<u>164,387</u>
Deferred tax:		
Origination and reversal of temporary differences	(8,015)	(12,194)
Income tax expense	<u>\$ 71,600</u>	<u>\$ 152,193</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 86,370	\$ 154,313
Effects from items disallowed by tax regulation	(821)	(2,524)
Prior year income tax (over estimation) under estimation	(13,949)	404
Income tax expense	<u>\$ 71,600</u>	<u>\$ 152,193</u>

Note 1: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

Note 2: Juwenlee (Fujian) Cosmetics Co., Ltd. was incorporated in Mainland China, and the applicable income tax rate is 25%. The company is entitled to 10% tax relief from 2019 to 2021 due to obtainment of High and New Tech Enterprises Certification, hence the applicable income tax rate was reduced to 15%.

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

	2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Inventory valuation loss	\$ 129	(\$ 6)	\$ 123
Unrealised accrued expenses	8,646	2,232	10,878
Others	436	736	1,172
Tax losses	-	2,216	2,216
Subtotal	\$ 9,211	\$ 5,178	\$ 14,389
-Deferred tax liabilities:			
Book-tax difference on revenue recognition	(7,441)	2,837	(4,604)
Subtotal	(\$ 7,441)	\$ 2,837	(\$ 4,604)
Total	\$ 1,770	\$ 8,015	\$ 9,785

	2018		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Inventory valuation loss	\$ 36	\$ 93	\$ 129
Unrealised accrued expenses	6,147	2,499	8,646
Others	607	(171)	436
Subtotal	\$ 6,790	\$ 2,421	\$ 9,211
-Deferred tax liabilities:			
Book-tax difference on revenue recognition	(17,214)	9,773	(7,441)
Subtotal	(\$ 17,214)	\$ 9,773	(\$ 7,441)
Total	(\$ 10,424)	\$ 12,194	\$ 1,770

(24) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 497,740	47,388	\$ 10.50
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 497,740	47,388	
Assumed conversion of all dilutive potential ordinary shares employees' compensation	-	28	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 497,740	47,416	\$ 10.50
Year ended December 31, 2018			
	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 431,247	42,774	\$ 10.08
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 431,247	42,774	
Assumed conversion of all dilutive potential ordinary shares employees' compensation	-	25	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 431,247	42,799	\$ 10.08

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 65,145	\$ 62,442
Add: Opening balance of payable on constructions	8,629	10,971
Less: Ending balance of payable on constructions	(733)	(8,629)
Cash paid during the year	\$ 73,041	\$ 64,784
Purchase of intangible assets	\$ 9,579	\$ 393
Less: Ending balance of payable on intangible assets	(861)	-
Cash paid during the year	\$ 8,718	\$ 393

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2019	2018
Stock dividends paid	\$ 43,080	\$ 52,800

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name of related parties	Relationship with the Company
Xiamen Senlinhai Industry & Trade Co., Ltd.	Associate (After August 13, 2019)
Xiamen Jiadai Beauty Co., Ltd. (Formerly Xiamen Beili Ya Trading Co., Ltd.)	Other related party
Xiamen Jiabi Beauty Co., Ltd.	Other related party
Zhangzhou Care-pro Biologic Technology Co., Ltd.	Other related party
Xin Kang Mei (Fujian) Cosmetics Co., Ltd.	Other related party (Before April 2, 2018)
Zhangzhou Weidi Electronic Technology Co., Ltd.	Other related party
Zhangzhou Crown Moko Health Management Co., Ltd.	Other related party
Luo Li Fen International Beauty Care Ltd.	Other related party
Kang Jing Biologic Technology Co., Ltd.	Other related party
Realbio Care Health Beauty Clinic	Strategic alliance partner
Luo Li-Fen	Legal representative of the Company's chairman
Jackie Rao	The Company's general manager

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2019	2018
Sales of goods:		
Other related parties	\$ 5,129	\$ -

B. Purchases:

	Years ended December 31,	
	2019	2018
Purchases of goods:		
Associate	\$ 12,992	\$ -
Other related parties	9,754	710
	<u>\$ 22,746</u>	<u>\$ 710</u>

Goods sold to other related parties are based on normal commercial terms and conditions.

C. Receivables from related parties:

	December 31, 2019	December 31, 2018
Accounts receivable:		
Associate	\$ 1,697	\$ -

D. Payables to related parties:

	December 31, 2019	December 31, 2018
Accounts payable:		
Associate	\$ 4,084	\$ -
Other related parties	2,641	-
	<u>\$ 6,725</u>	<u>\$ -</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

E. Operating expenses:

	Years ended December 31,	
	2019	2018
Advertising costs:		
Other related parties	\$ -	\$ 78

F. Contract liabilities:

	December 31, 2019	December 31, 2018
Other related parties	\$ 7	\$ -

G. Property transactions:

Acquisition of property, plant and equipment

	Years ended December 31,	
	2019	2018
Jackie Rao	\$ 24,302	\$ 2,107

H. Lease transactions – lessee:

(a) The Group leases buildings from Ms. Luo Li-Fen. Rental contracts are typically made for periods of 2 to 3 years. Rents are paid monthly.

(b) Acquisition of right-of-use assets:

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$5,790. For the year ended December 31, 2019, the Group acquired right-of-use assets amounting to \$5,291 from Ms. Luo Li-Fen.

(c) Disposal of right-of-use assets:

The Group disposed right-of-use assets acquired from Ms. Luo Li-Fen amounting to \$3,999, the related gain arising from the lease modifications was \$21 for the year ended December 31, 2019.

(d) Rent expense

	Year ended December 31, 2019
Luo Li-Fen	\$ 103

(e) Lease liabilities

(i) Outstanding balance

	December 31, 2019	December 31, 2018
Luo Li-Fen	\$ 5,541	\$ -

(ii) Interest expense

	Years ended December 31,	
	2019	2018
Luo Li-Fen	\$ 80	\$ -

(iii) For the year ended December 31, 2019, the Group's total cash outflow for leases was \$1,703.

I. Lease transactions – lessor

- (a) The Company leases various assets including buildings and machinery and equipment to related parties. Rental contracts are typically made for periods of 1 to 3 years.
- (b) Net lease payments receivable under finance lease

	December 31, 2019	
	Current	Non-current
Lever Guide Biotech Co., Ltd.	\$ 599	\$ 2,449
Kang Jing Biologic Technology Co., Ltd.	360	1,470
	<u>\$ 959</u>	<u>\$ 3,919</u>

Information on profit or loss in relation to lease contracts is provided in Note 6(9).

J. Transfer of trademark

- (a) For the year ended December 31, 2018, the Company paid the considerations to the related parties, Luo Li Fen and Luo Li Fen International Beauty Care Ltd. for acquiring trademarks amounting to NT\$1,450 (RMB 3 and USD 49).
- (b) For the year ended December 31, 2018, the Company's second-tier subsidiary, Juvenilee (Fujian), sells trademarks to other related parties, Xiamen Jiabi Beauty Co., Ltd., Zhangzhou Care-pro Biologic Technology Co., Ltd. and Zhangzhou Crown Moko Health Management Co., Ltd., for a total consideration of NT\$157 (RMB 6, RMB 2 and RMB 26). Juvenilee (Fujian) acquired trademarks from another related party, Xiamen Jiadai Beauty Co., Ltd., for a total consideration of NT\$23 (RMB 5).

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and short-term employee benefits	\$ 42,783	\$ 28,165
Post-employment benefits	739	845
	<u>\$ 43,522</u>	<u>\$ 29,010</u>

8. PLEGDED ASSETS

Pledged asset	Book value	Purpose
	December 31, 2019	
Guarantee deposits paid	<u>\$ 309</u>	Rental deposits

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	<u>\$ 82,907</u>	<u>\$ 6,871</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(16) C for further information.

(2) In November and December 2019, the Company's subsidiary entered into contracts to purchase land and buildings as laboratory for a total consideration amounting to \$56,400 and \$54,400, respectively. As of December 31, 2019, the Group has prepaid \$33,640 and the hand over would be in January and March 2020, respectively. The details of capital expenditure not yet incurred are provided in Note 9.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 391,079	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	843,142	1,782,992
Current financial assets at amortised cost	299,800	2,900
Accounts receivable (including related parties)	12,393	1,530
Net lease payments receivable under finance lease - related parties	959	-
Other receivables (including related parties)	8,580	4,909
Non-current financial assets at amortised cost	193,725	-
Long-term net lease payments receivable under finance lease - related parties	3,919	-
Guarantee deposits paid (shown as 'other non-current assets')	309	15
	<u>\$ 1,753,906</u>	<u>\$ 1,792,346</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable (including related parties)	\$ 30,023	\$ 44,498
Other payables	186,903	132,400
Guarantee deposits received	20,912	19,741
Lease liability	9,877	-
	<u>\$ 247,715</u>	<u>\$ 196,639</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: USD; certain subsidiaries' functional currency: RMB or NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD/NTD	\$ 4,013	29.98	\$ 120,311
December 31, 2018			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD/RMB	\$ 188	6.6174	\$ 4,839

- iii. The total exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to \$2,650 and \$161, respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,203	\$ -
Year ended December 31, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:RMB	1%	\$ 48	\$ -

(b) Credit risk

- Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer and customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vi. The Group uses historical and timely information to individually assess the default possibility of accounts receivable. On December 31, 2019 and 2018, the Group had no loss allowance.

	Not past due
<u>December 31, 2019</u>	
Expected loss rate	0%-0.03%
Total book value	\$ 12,393
Loss allowance	\$ -
	Not past due
<u>December 31, 2018</u>	
Expected loss rate	0%-0.03%
Total book value	\$ 1,530
Loss allowance	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial assets</u>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
<u>December 31, 2019</u>			
Accounts payable (including related parties)	\$ 30,023	\$ -	\$ -
Other payables	186,903	-	-
Lease liability	3,924	3,924	2,202
<u>Non-derivative financial liabilities</u>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
<u>December 31, 2018</u>			
Accounts payable	\$ 44,498	\$ -	\$ -
Other payables	132,400	-	-

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group has no related investment.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in corporate bonds is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in structure deposits is included in Level 3.

- B. The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, account payable (including related parties) and other payables are approximate to their fair values.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2019 is as follows:

- (a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Debt securities	\$ -	\$ 24,538	\$ -	\$ 24,538
Structured deposits	-	-	366,541	366,541

As of December 31, 2018, the Group has no financial assets at fair value through profit or loss.

- (b) The methods and assumptions the Group used to measure fair value are as follows:

The fair value of debt securities was measured by reference to the quoted market prices provided by the third party.

- D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	Years ended December 31,	
	2019	2018
	Structured deposits	Structured deposits
At January 1	\$ -	\$ -
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	6,801	-
Acquired during the year	1,715,012	-
Settled during the year	(1,341,053)	-
Effect of exchange rate changes	(14,219)	-
At December 31	\$ 366,541	\$ -

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Structured contract	\$ 366,541	Depends on terms of individual contract	Depends on terms of individual contract	-	Depends on terms of individual contract

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The chief operating decision-maker evaluates operating segments by their profit or loss before tax. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(3) Information about segment profit or loss

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Years ended December 31,	
	2019	2018
Total segment revenue	\$ 1,445,695	\$ 1,358,184
Segment income	\$ 569,340	\$ 583,440

(4) Reconciliation for segment income (loss)

The performance of the Group's reportable segments was assessed based on profit/(loss) before tax, which is consistent with the income/(loss) before tax from continuing operations, therefore, no additional reconciliation was needed.

(5) Information on products and services

Revenue from external customers is mainly from sales of skin care products. Analysis of revenue is provided in Note 6(17).

(6) Geographical information

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

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 5,197	\$ 22,050	\$ -	\$ 1,565
Mainland China	1,440,498	492,403	1,358,184	232,868
	<u>\$ 1,445,695</u>	<u>\$ 514,453</u>	<u>\$ 1,358,184</u>	<u>\$ 234,433</u>

(7) Major customer information

For the years ended December 31, 2019 and 2018, the Group's sales to a single party are lower than 10% of the Group's operating revenue, therefore, no additional disclosure was needed.

Expressed in thousands of NTD

(D) The Company is "N".

20 The subsidiaries are numbered in order starting from "1."

Note 2: Relationship between the endorser's quantifier and the party being endorsed/guaranteed is classified into the following seven categories. Fill in the number of category each case belongs to:

(1) Having business relationship.

2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorser/guaranteed subsidiary.

(b) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(c) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the end-user/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The Group's total guarantees to others should not exceed 40% of the Company's net values. The guarantee amount for a single party should not exceed 10% of the Company's net values.

For subsidiaries that the parent company owns directly more than 50% voting shares, the total guarantee amount should not exceed 20% of the Company's net values.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 3: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing

Loading of Penals and Making of Endorsements's Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsement's guarantees used by the endorsed/guaranteed company.

Note 7: Fill in "Y" for those cases of provision of enforcement guarantees by listed parent company and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Table 1

LUO LIH-FEN Holding Co., Ltd. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2019			Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value
LUO LIH-FEN Holding Co., Ltd.	HSBC Corporate Bond	-	Financial assets at fair value through profit or loss	-	\$ 6,030	-	\$ 6,030
LUO LIH-FEN Holding Co., Ltd.	AT&T Corporate Bond	-	Financial assets at fair value through profit or loss	-	9,281	-	9,281
LUO LIH-FEN Holding Co., Ltd.	Airbuscor-Baird Inter Corporate Bond	-	Financial assets at fair value through profit or loss	-	9,227	-	9,227
Arvenlee (Fujian) Cosmetics Co., Ltd.	Bank of Communications Win-40-Fortune Fixed term Structured deposits	-	Financial assets at fair value through profit or loss	-	310,491	-	310,491
Arvenlee (Fujian) Cosmetics Co., Ltd.	Xinmen Bank Structured deposits	-	Financial assets at fair value through profit or loss	-	56,050	-	56,050

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities in the range of IFRS 9, "Financial Instruments".

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value, fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Table 2

LJAO LIA-FEN Holding Co., Ltd. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$100 million or 20% of the Company's paid-in capital

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Disposal (Note 3)		Balance as at December	
					Number of shares	Amount	Number of shares	Amount	Selling price	Book value	Gain (loss) on disposal	Number of shares
Arvenlee (Fujian) Cosmetics Co., Ltd.	Bank of Communications Wai-to-Fortune Fixed Terms Structured deposits	Financial assets at fair value through profit or loss	*	*	*	\$ -	*	\$ 1,527,188	\$ 1,210,955	\$ 1,205,204	\$ 5,751	*
Arvenlee (Fujian) Cosmetics Co., Ltd.	Xiamen Bank Structured deposits	Financial assets at fair value through profit or loss	*	*	*	*	*	187,824	130,098	129,688	410	*
												56,050

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they and individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital should be replaced by 10% of equity attributable to owners of the parent in the calculation.

Table 3

LUO LIH-FEN Holding Co., Ltd. and Subsidiaries
Information on investees
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1 and Note 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019		Net profit (loss) of the investee for the year ended		Investment income (loss) recognised by the Company for the year ended	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership	Book value	2019		
LUO LIH-FEN Holding Co., Ltd.	Lao Li-Fen Group Limited	Hong Kong	Holding company	\$ 47,968	\$ 49,152	1,600 thousand	100%	\$ 1,175,429	\$ 513,749	\$ 513,749	Subsidiary (original investment for the years ended December 31, 2019 and 2018 was US\$1.6 million)
"	Lao Li-Fen Enterprise Limited	R.O.C	General investments	25,000	25,000	-	100%	9,863	(10,997)	(10,997)	Subsidiary
"	Lever Guide Biotech Co., Ltd.	R.O.C	Manufacturing and sales of skin care products	210,000	-	21,000 thousand	100%	197,412	(12,588)	(12,588)	Subsidiary

Note 1: Ending balance of original investment was translated based on the exchange rate prevailing at December 31, 2019.

Note 2: The carrying amount of investees at end of year was translated based on the exchange rate prevailing at December 31, 2019, and investees' profit or loss was translated based on the average exchange rate for the year ended December 31, 2019.

Table 4

LIXO LIFEFIN Holding Co., Ltd. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 5

Invested in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1 (2))	Amount realized from Taiwan to Mainland China / Amount realized back to Taiwan for the year ended December 31, 2019		Accumulated amount of investment income for the year ended December 31, 2019 (Note 2)	Book value of investment in Mainland China as of December 31, 2019	Accumulated amount of investment income realized back to Taiwan as of December 31, 2019	Residual
				Accumulated amount of investment income for the year ended December 31, 2019	Amount realized from Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019 (direct or indirect)	Ownership held by the Company (direct or indirect)		
Aiwuwei (Fujian) Cosmetics Co., Ltd.	Sales of beauty and skin care products	\$ 47,266	Note 1 (2)	-	-	\$ 514,071	100%	\$ 1,601,037	-
Xinwei Liao Life-Fin Cosmetics Co., Ltd.	Sales of beauty and skin care products	27,983	*	-	-	€ 966	100%	18,762	-
Xinwei Sunlight Cosmetics Co., Ltd.	Sales of beauty and skin care products	2,153	*	-	-	3,276	100%	12,118	-
Xinwei Guangao Cosmetics Co., Ltd.	Sales of beauty and skin care products	2,153	*	-	-	1,478	100%	7,162	-
Xinwei Deyun Cosmetics Co., Ltd.	Sales of beauty and skin care products	4,305	*	-	-	1,130	100%	8,799	-
Huowenti (Fujian) Enterprise Management Co., Ltd.	General investment	172,209	*	-	-	303	100%	171,909	-
Zhongguo Healthy Skin Care Co., Ltd.	Consulting service of beauty and skin care	12,913	*	-	-	343	100%	12,485	-
Zhongguo Kangliwei Biologics Technology Co., Ltd.	Consulting service of beauty and skin care	21,525	*	-	-	4	100%	21,521	-
LiChuang (Fujian) Bio- Technology Co., Ltd.	Sales of beauty and skin care products	60,270	*	-	-	3,488	100%	56,803	-
Zhongguo Fengshu Health Management Co., Ltd.	Sales of beauty and skin care products	21,525	*	-	-	-	100%	21,525	-
Xinwei Sunlight Industry & Trade Co., Ltd.	Manufacturing of plastic packaging and container	25,869	*	-	-	967	90%	8,028	-

Note 1: Investment methods are classified into the following three categories. Fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invests in the investee in Mainland China (Investor in the third area: Liao Life-Fin Group Limited)
(3) Others

Note 2: In the "Investment income (loss)" recognized by the Company for the year ended December 31, 2019 column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in B.O.C.

B. The financial statements were audited and attested by B.O.C. parent company's CPA.

C. Others

Note 3: The Company was established in Cayman Islands, therefore, the ceiling specified in the Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area is not applicable.

Table 5

V. The Company's Most Recent Individual Financial Report Inspected and Certified by a CPA

None.

VI. If the Company and its affiliates have encountered any financial turnover problems in the most recent fiscal year as of the publication date of this Annual Report, state their impact on the financial position of the Company:

None.

Seven. Review, Analysis, and Risks of Financial Conditions and Performances

I. Financial position

(I) Main Reasons for the Significant Changes in Assets, Liabilities, and Equity in the Last Two Years as Well as Their Impacts

Unit: NT\$1,000

Items \ Year	2018	2019	Difference	
			Amount	Ratio %
Current Assets	1,886,673	1,681,026	(205,647)	(10.90)
Real Property, Plants, and Equipment	197,647	214,906	17,259	8.73
Intangible Assets	1,603	9,449	7,846	489.46
Other Assets	35,183	290,098	254,915	724.54
Total Assets	2,121,106	2,195,479	74,373	3.51
Current Liabilities	416,227	336,262	(79,965)	(19.21)
Non-current Liabilities	7,476	11,117	3,641	48.70
Total Liabilities	423,703	347,379	(76,324)	(18.01)
Share Capital	430,800	473,880	43,080	10.00
Capital Surplus	829,495	829,495	0	0.00
Retained Earnings	439,172	592,272	153,100	34.86
Other Equity Interests	(2,064)	(47,547)	(45,483)	22.04
Total Shareholders' Equity	1,697,403	1,848,100	150,697	8.88
<p>Analysis description if the change in the last two fiscal years exceeded over 20%, and the change amount reached NT\$10 million:</p> <ol style="list-style-type: none"> 1. The increase in intangible assets is primarily as a result of purchasing the shop service management system and encryption software. 2. The increase in other assets is primarily as a result of the increase in the right-of-use assets and deferred income tax assets. 3. The increase in noncurrent liabilities is primarily as a result of the increase in the lease liabilities. 4. The increase in the retained earnings is primarily as a result of the growing profit in 2019. 5. The decrease in other equity interests is primarily as a result of exchange differences on translation. 				

(II) Explain the future response plan for cases with major impacts

The preceding changes have no major impact on the Company's finances and operations.

II. Financial Performance

(I) Business Results Comparative Analysis

Unit: NT\$1,000 ; %

Items \ Year	2018	2019	Amount Increase (Decrease)	Change Ratio %
Sales Revenue	1,358,184	1,445,695	87,511	6.44
Operating Costs	447,660	465,906	18,246	4.08
Operating Margin	910,524	979,789	69,265	7.61
Operating Expenses	338,358	452,553	114,195	33.75
Operating Profit and Loss	572,166	527,236	(44,930)	(7.85)
Non-operating Incomes and Expenses	11,274	42,104	30,830	273.46
Pre-tax Net Loss	583,440	569,340	(14,100)	(2.42)
Income Tax Expenses	152,193	71,600	(80,593)	(52.95)
Net Profit (Loss)	431,247	497,740	66,493	15.42
Total Consolidated Gains or Losses	429,099	452,257	23,158	5.40
<p>Analysis description if the change in the last two fiscal years exceeded over 20%, and the change amount reached NT\$10 million:</p> <ol style="list-style-type: none"> 1. The increase in the operating expenses is primarily as a result of the increase in R&D investment and labor costs. 2. The increase in non-operating incomes and expenses is primarily as a result of the wealth management product income and government incentive. 3. The decrease in the income tax expenses is primarily as a result of the important subsidiaries' acquisition of the national high-tech enterprise qualification and entitlement to the income tax exemption/reduction in 2019. 				

(II) Sales Volume Forecast and Supporting Basis

With the increase of urban and rural consumption power in the Mainland China market, increase of demand by the terminal market, and the fact that modern people are paying increasingly more attention to beauty care, the market demand is expected to continue to grow in the future. The Company has deeply cultivated the beauty and skin care market for many years, and its products and services are well received by customers. Therefore, the customer scale and product sales volume will continue to increase. Despite the outbreak of COVID 19 affecting the sales in Q1 of 2020, the Company still anticipates that the overall sales revenue in 2020 will grow compared to that of 2019. Please refer to Two. Overview of Operations for the relevant market supply and demand research and analysis as well as industry development and current status.

(III) Possible Impacts on the Company's Future Financial Business and its Response Plan

The Company's financial structure is sound. In order to cater for the market demand and expand market shares, the Company increases the R&D investment and marketing personnel and, therefore, the related expenses will be increased accordingly. Notwithstanding, the Company still continues to deepen its operation management and provide cost control, which is sufficient to meet the needs of future business growth.

III. Cash Flow

(I) Analysis Description for the Recent Annual Cash Flow Changes

Unit: NT\$1,000

Items \ Year	2018	2019	Increase (Decrease) Ratio (%)
Net Cash Inflow (Outflow) From Operating Activities	505,960	17,497	(96.54)
Net Cash Inflow (Outflow) From Operating Activities	(68,077)	(579,922)	(751.86)
Net Cash Inflow (Outflow) From Investment Activities	353,135	(342,744)	(197.06)
Total (Net Cash Inflow (Outflow))	791,018	(905,169)	(214.43)

Increase/Decrease Ratio Change Analysis Description:

1. The decrease in the cash inflow from operating activities is primarily as a result of the decrease in the short-term principal guaranteed wealth management products and contract liabilities purchased by the Company.
2. The decrease in the cash inflow from investing activities is primarily as a result of the increase in time deposits.
3. The decrease in the net cash inflow from financing activities is primarily as a result of the capital increase in 2018 and increase in distribution of dividends in 2019.

(II) Cash Shortfall Remedial Measures and Liquidity Analysis

The increase in the cash outflow in 2019 is primarily as a result of the purchase of related financial instruments by idle fund. The Company's cash and cash equivalent are still considered sufficient. Therefore, there is no shortage of capital liquidity for the time being.

(III) Cash Flow Analysis for the Next Year

Unit: NT\$1,000

Initial cash balance	Projected net cash flow from operating activities for the year	Projected net cash flow from investment activities for the year	Projected net cash flow from financing activities for the year	Cash inflow for the year	Cash balance (deficit)	Corrective measures against insufficient cash position	
						Investment Plan	Financing Plan
843,142	487,813	(165,239)	(331,716)	(9,142)	834,000	-	-

Cash Flow Status Analysis:

- (1) Net Cash Flow From Operating Activities Throughout the Year: It is estimated that cash inflow from operating activities will be NT\$487.813 million generated by the main operating revenue.
- (2) Net Cash Flow From Investing Activities Throughout the Year: The Company's reconstruction of factory premises is expected to generate a cash outflow of NT\$154 million.
- (3) Net Cash Flow From Financing Activities Throughout Year: The Company will issue cash dividends of NT\$331.716 million and the net cash outflow from financing activities is expected to be NT\$331.716 million.
- (4) Remedial measures if cash is estimated to be insufficient and the liquidity analysis: Not applicable, as there is no insufficient cash estimated in the following year.

IV. Material capital expenditures in the last year and impact on business performance:

None.

V. The investment Strategy in the most recent year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

(I) Most Recent Annual Reinvestment Policy

The Company's reinvestment business transactions shall be managed and regulated according to the Company's internal control system, the "Operating Regulations Governing Supervision of Subsidiaries" and "Operating Regulations Governing Transactions with Related Parties". The main goal is to obtain the relevant financial information and management reports from the reinvestment businesses on a regular basis, regularly or irregularly dispatch personnel to the reinvestment companies to understand the business conditions on-site, and any relevant investment plans in the future shall be handled in accordance with the aforesaid regulations.

(II) Main Reason for the Recent Annual Reinvestment Gains or Losses, and the Improvement Plan

Unit: NT\$ thousand; Date: December 31, 2019

Investees	Direct (Indirect) Shareholding Ratio	Investment Gain or Loss	Profit or Reason for Losses	Improvement Plan
Luo Lih-Fen Group Co., Ltd.	100%	513,749	In good standing	Not Applicable
Luo Lih-Fen Enterprise Limited	100%	(10,997)	The company is the contact window for Luo Lih-Fen KY listing and generates no operating income for the time being. Therefore, it suffers loss currently.	Not Applicable
Lever Guide Biotech Co., Ltd. (TW)	100%	(12,588)	The Company was founded just now. It is still developing its business at this stage. Therefore, it suffers loss currently.	The loss may be covered after it launches the business.
Juwenlee (Fujian) Cosmetics Co., Ltd.	100%	514,071	In good standing	Not Applicable
Xiamen Luolifen Cosmetics Co., Ltd.	100%	(966)	The Company has no other business except for the rental of some real properties.	Not Applicable
Xiamen Glingluocosmetics Co., Ltd.	100%	1,478	In good standing	Not Applicable
Xiamen Sunlily Cosmetics Co., Ltd.	100%	3,276	In good standing	Not Applicable
Xiamen Draise Cosmetics Co., Ltd.	100%	(1,130)	The increase in business operations results in the decrease in operating revenue in the second half of the year. Therefore, the company suffers loss currently.	The loss may be covered after the business adjustment is completed.
Lichuang (Fujian) Bio-Technology Co., Ltd.	100%	(3,498)	The Company was founded just now. It is still developing its business at this stage. Therefore, it suffers loss currently.	The loss may be covered after it launches the business.
Zhangzhou Kangqili Health Management Co., Ltd.	100%	-	The company is still under construction.	Not Applicable
Xiamen Senlinhai Industry & Trade Co., Ltd.	30%	290	Good Operation Status	Not Applicable
Huiwenli (Fujian) Enterprise Management Co., Ltd.	100%	(303)	The company is engaged in investment, while it has not yet launched business. Therefore, it suffers loss currently.	The loss may be covered after it launches the business.
Zhangzhou Kangbaoli Biologic Technology Co., Ltd.	100%	(4)	The Company has not yet launched its business. Therefore, it suffers loss currently.	The loss may be covered after it launches the business.
Zhangzhou Healthy Skin Clinic Co., Ltd.	100%	(343)	The company's business place is still under decoration and no operating revenue is generated. Therefore, it suffers loss currently.	The loss may be covered after it launches the business.

(III). Investment plan for the coming year :

In order to speed up the development of retail markets, the Company adopts the whole network marketing. It will choose to acquire a part of the equity of suitable companies engaged in the information industry, and assess them in accordance with the Operating Procedure for Acquisition or Disposal of Assets.

VI. Analysis and assessment of risk factors

(I) In the most recent fiscal year, the risk items of any of the Company's overseas operation bases or subsidiaries that meet any one of the key subsidiary standards provided in Paragraph 2, Article 2-1 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants must be added:

This Company is an exempted company, registered in the British Cayman Islands. The Company's subsidiaries that meet the aforesaid "key operating base or subsidiary" standard are the Luo Lih-Fen Group Co., Ltd. in Hong Kong and Juwenlee (Fujian) Cosmetics Co., Ltd. in Mainland China. Please refer to the state in Paragraph (II) below regarding the overall economy, changes in the political and economic environment, foreign exchange controls, taxation, and related Exchange Act and regulations as well as other risk items such as whether the court judgments of this nation are binding.

(II) A foreign issuance company must declare the overall economy of the primary operating nation; changes in the political and economic environment, foreign exchange control, taxes, and the relevant laws; whether the Company acknowledges the force of the final judgments made by our nation's courts; and describe the response measures adopted:

This Company is a holding company registered in the Cayman Islands, and its principal place of operation is in Mainland China. The relevant risk issues in the British Cayman Islands, Hong Kong, and Mainland China are described below:

1. Registration Location: Cayman Islands

A. Overall Economy as Well as Political and Economic Environment Changes

The Cayman Islands is a British overseas consortium in the West Indies, and is located in the Caribbean Sea to the south of Miami, Florida. The Cayman Islands has been politically stable for a long time. The capital George Town is located on Grand Cayman and serves as an administrative, commercial, and financial center with financial services and tourism as its main sources of income. The Cayman Islands is one of the world's key financial centers.

There are five types of companies that can be registered in the Cayman Islands: ordinary company, ordinary non-resident company, exempted company, limited duration company, and foreign company. Among them, exempted companies are mainly used by companies and individuals in various countries for financial planning.

In recent years, the Cayman Islands government has actively strengthened the goodwill of its overseas financial operations. It signed the "Mutual Legal Assistance Treaty" with the United States through the British government in 1986 in order to jointly prevent international criminal organizations from using the Cayman Islands for illegal transactions such as drug trafficking or money laundering.

While preventing crimes, the Cayman Islands Government is also committed to ensuring the confidentiality of legitimate business practices. Therefore, the political and economic development of the Cayman Islands has been very stable for a long time, and its law and order are also good.

In summary, the Company is a holding company registered in the form of an exempted company in the Cayman Islands, and has no actual operational activity in the local area. Since the Cayman Islands has been politically stable for a long time, it is the fifth largest financial center worldwide. Its overall economic as well as political and economic environment changes have no significant impact on the overall operation of the Company.

B. Foreign Exchange Control, Taxation Risks, and Relevant Laws and Regulations

At present, the Cayman Islands neither levies taxes on personal or company profits, income, gains, or property appreciations nor does it have an inheritance tax or succession duty. Except for stamp duty applicable for contracts signed in the Cayman Islands or for contracts drafted in the Cayman Islands, there are no taxes levied by the Cayman Islands government that may be considered significant for the Company. The transfer of shares in a Cayman Islands company is not subject to stamp duty in the Cayman Islands except where the company has interest in the land of the Cayman Islands.

There are no foreign exchange controls or currency controls in the Cayman Islands.

In terms of legal regulations, the Company Law of the Cayman Islands requires companies in the Cayman Islands to establish the Memorandum of Association to specify the company name, registered address, and capital composition; however, it does not mandate companies to establish an Articles of Association. In practice, companies in the Cayman Islands will refer to the First Schedule Table A of the Company Law in drafting the Articles of Association for the purpose of regulating the company's internal operations. Therefore, this Company shall abide by its Articles of Association, the Company Law of the Cayman Islands, and other relevant laws and regulations. Although the laws of the Cayman Islands and the Republic of China are different, this Company has amended its Articles of Association according to the relevant laws and regulations of the Republic of China, the requirements of the competent authorities, and within the bounds of the Cayman Islands laws. Matters not covered by the Articles of Association shall be

handled according to the relevant laws of the Cayman Islands and the laws of the Republic of China applicable to the stock publicly offered by a foreign issuer in order to protect the shareholders' rights and interests of investors in the Republic of China. However, the degree of protection of shareholders' equity may still differ from that of companies established under the laws of the Republic of China.

C. Are the Domestic Final Civil Judgments Binding?

(1). Risk of Litigation

The Company is an exempted company registered in the Cayman Islands and has not applied for approval from the Ministry of Economic Affairs in accordance with the laws of the Republic of China. Although the Company's Articles of Association expressly stipulate that shareholders holding over 3% of the total shares issued by the Company for over one year may file a lawsuit in a court of competent jurisdiction (including the Taipei District Court of Taiwan) in order to seek appropriate remedies for improper Shareholders' Meeting procedures, resolutions passed improperly, business actions that can damage the Company, or director related actions that violate the law or the Articles of Association of this Company. The Company shall designate the litigious and non-litigious agents for litigation in Taiwan according to the laws of the Republic of China. However, if an investor files a lawsuit against the Company or the person in charge in a court of the Republic of China, the court may still determine the existence of jurisdiction and the delivery method according to the nature and circumstances of the case. The court may also require the investor to state the foreign laws associated with the case. So not all types of cases are guaranteed to obtain a physical judgment from a court in the Republic of China.

(2) Court Judgment Recognition and Enforcement Risks

The Company has obtained legal advice from the Cayman Islands summarized as follows: Although there is no law in the Cayman Islands providing that the judgments made by the courts of the Republic of China are enforceable in the Cayman Islands, the Cayman Islands Court will recognize and enforce the judgment of a foreign court from a competent jurisdiction (including the Republic of China) based on the principle that the court of a foreign country with jurisdiction has issued an order of a debt payable by the debtor. However, such judgment must be final and cover non-tariff or other cash payments of such obligations, fines, penalties; and the acquisition or execution of the judgment shall not contravene the public policy of the Cayman Islands. In certain circumstances, the Cayman Islands courts may extend the classification of remedies issued by foreign courts in the Cayman Islands beyond monetary judgment into remedies such as mandatory orders, declarations, and injunctions.

The Company's Articles of Association clearly stipulate that under the premise as permitted by the Cayman Islands Company Law, the content of the Company's Articles of Association do not prevent any shareholder from filing a lawsuit in a court of competent jurisdiction for appropriate remedies within 30 days after the resolution is made on the grounds that the convening procedure or resolution method of the Shareholders' Meeting is contrary to the statute or charter. The Company's Articles of Association expressly provide that the Taipei District Court of Taiwan may be the court of first instance for disputes arising from the foregoing matters. However, since the Company is an exempted company in the Cayman Islands, if a lawsuit is filed in the Cayman Islands court, said court will first determine whether it has jurisdiction to hear the relevant dispute. If said court determines that it has jurisdiction to hear the relevant dispute, it shall have sole discretion to determine the content of the relief.

The Cayman Islands Company Law does not have specific specifications for minority shareholders to file derivative actions against the directors in a Cayman Islands court. In addition, the Company's Articles of Association are not a contract between the shareholders and the directors, but an agreement between the shareholders and the Company. Therefore, even if the minority shareholders are allowed to file a derivative action against the directors according to the Articles of Association, such regulations are not binding on the directors under the laws of the Cayman Islands. However, under the Common Law of the Cayman Islands, all shareholders(including minority shareholders) have the right to file derivative actions(including litigation against directors) regardless of their shareholding ratios or shareholding periods. Once a shareholder sues, the court of the Cayman Islands shall have full discretion to decide whether the shareholder can continue the lawsuit. In other words, even if the Company's Articles of Association permit minority shareholders(or shareholders with the required shareholding ratio or shareholding period) to file a lawsuit against the directors on behalf of the Company, the court of the Cayman Islands shall ultimately determine whether the lawsuit may continue. According to the relevant judgment of the Cayman Islands Grand Court, when the Cayman Islands courts consider whether to approve the continuation of derivative proceedings, the applicable criterion is whether the Cayman Islands courts believe and accept that the plaintiff's request on behalf of the Company is apparently material and whether the claimed wrongdoing perpetrated by those who have control over the Company, and such controllers can compel the Company not to file a lawsuit against them. The Cayman Islands courts shall issue a ruling on a case-by-case basis (although the court may refer to the provisions of a Company's Articles of Association, this is not a decisive factor).

D. Must Taiwan Extradite the Accused for Trial?

The securities supervision authority of the Cayman Islands where the Company is registered has signed the "International Organization of Securities Commissions Multilateral Memorandum of Understanding." The Financial Supervisory Commission of the Executive Yuan of the Republic of China may, in accordance with the law, request information from the securities regulatory authorities of the Cayman Islands to provide relevant information or documents. They include, but are not limited to, all current records sufficient to retrace all transactions related to securities and derivative financial products (including all funds and assets transferred to the bank as well as trading account entry and exit records), etc. However, the memorandum does not have any provisions relating to extradition. Therefore, Taiwan has no right pursuant to the memorandum for requesting the Cayman Islands to extradite the defendant back to Taiwan. Secondly, there is no agreement in terms of mutual legal assistance in criminal justice between Taiwan and the Cayman Islands. Based on the above, Taiwan may face the risk of not being able to request the Cayman Islands to extradite the defendant back to Taiwan for trial.

E. Applicability Risk for the Laws Derived Based on the Differences Between the Cayman Islands Laws and the Republic of China Laws

This Company is a company established under the laws of the Cayman Islands. It is listed on the Taiwan Stock Exchange and has amended its Articles of Association in accordance with the requirements of the relevant laws of the Republic of China in order to protect shareholders' rights and interests. Matters not covered by the Articles of Association shall be handled by the Company according to the relevant laws of the Cayman Islands and the applicable laws of the Republic of China. The laws of the Cayman Islands and the Republic of China have many differences in terms of company operation regulations. Investors cannot apply the legal protection rights for a ROC company investment into a Cayman Islands company investment. Investors must acknowledge and consult with experts when necessary to find out if shareholders' rights protections are unavailable when investing in a Cayman Islands company. Moreover, the differences between the laws of the Cayman Islands and the Republic of China may cause applicability conflicts or ambiguous interpretations, and such applicability conflicts or ambiguous interpretations must be resolved by a court judgment. Therefore, investors are reminded that if they want to request the Cayman Islands court to enforce the judgment issued by a Republic of China court or to file a lawsuit or enforce their rights in the Cayman Islands courts, the Cayman Islands courts may not necessarily recognize the laws and trading practices of the Republic of China (including, but not limited to, the share transfer methods and the shareholder), which may generate risks against the right to exercise for foreign companies.

F. Investors Shall Carefully Assess Whether Their Financial Capabilities and Economic Conditions are Suitable Before Trading in Foreign Securities of Listed, Over the Counter, or Emerging Stock Companies; and Pay Special Attention to the Following Issues:

The Company's corporate affairs are subject to the Company's Articles of Association as well as the Company Law and Common Law of the Cayman Islands. The rights of shareholders to make claims against directors, the rights of minority shareholders to sue, and the loyalty obligations of directors under the laws of the Cayman Islands are mostly subject to the Common Law of the Cayman Islands. Portions of the Cayman Islands' Common Law are derived in part from the relatively limited Cayman Islands court precedents and the English common law, which have referential value but are not binding to Cayman Islands courts. The shareholder rights and the directors' loyalty obligations as regulated by the Cayman Islands' laws may be less clear than the statutes or court judgment precedents of other countries that are more familiar to the investors.

The Company is a company organized under the laws of the Cayman Islands. Therefore, shareholders may not request to execute any judgments issued by a nation outside of the Cayman Islands against this Company, some or all of its directors, or senior managers. Shareholders may also be unable to serve the directors or senior managers of the Company in their countries of origin, or may not be able to execute a judgment issued by the shareholder's local court according to the civil liabilities pursuant to the securities related laws and regulations against a director or senior manager of the Company. For the Company's directors or senior managers who are not the residents of the country where the judgment was made, there is no guarantee that shareholders will be able to enforce their civil and commercial judgments against the counterpart.

2. Main Operating Country: Hong Kong

A. Overall Economy as Well as Political and Economic Environment Changes

Hong Kong is located on the north bank of the South China Sea, the Pearl River Estuary, east of the Pearl River Estuary, north of Guangdong Shenzhen, south of the Wanshan Islands, and west of Macau and Guangdong Zhuhai. It consists of the Hong Kong Island, Kowloon, and the New Territories. In 1842, Hong Kong Island was permanently ceded due to the signing of the "Nanjing Treaty" between China's Qing Dynasty and the United Kingdom. Subsequently, the "Convention of Peking" and "The Convention Between Great Britain and China Respecting an Extension of Hong Kong Territory" were signed to cede Kowloon and rent the New Territories, respectively, and later became the overseas area ruled by the British. In July

1997, the People's Republic of China withdrew the sovereignty after reaching an agreement with the United Kingdom and established the Hong Kong Special Administrative Region. It became one of the special administrative regions under the People's Republic of China, and the "Hong Kong Basic Law" was formulated to outline the basic management policy by the Chinese government for Hong Kong in the next 50 years after 1997. The basic management policy for Hong Kong includes maintaining Hong Kong's existing capitalist system and lifestyle, and reserving a high degree of autonomy except for diplomacy and defense.

Hong Kong primarily pursues a free market capitalist economic system. Under the development of its geographical advantages as well as political and economic history, it has gradually become one of the important hubs for finance, service industry, and shipping in the Asia Pacific region. After its return to the People's Republic of China, Hong Kong faced the 2000 Internet bubble and the SARS crisis that weakened its economy. Since 2004, Hong Kong's economy has begun to recover. In addition, the government has adopted financial, logistics, tourism, as well as industrial and commercial support services as "Hong Kong's four major economic pillar industries" that helped Hong Kong's economy to develop and flourish. Although the financial tsunami in 2008 and the weak global economy have slowed down Hong Kong's economic development, Hong Kong's long-term economic and trade development, its position as an international economic and trade center, as well as the "13th Five-Year Plan" and the "Belt and Road Initiative" policies promoted by the Chinese government have promoted and developed Hong Kong's financial services and facilitated the overall economic development of Hong Kong.

B. Foreign Exchange Control, Taxation Risks, and Relevant Laws and Regulations

In terms of foreign exchange, there is currently no foreign exchange control unit in Hong Kong, so there is currently no foreign exchange control.

In terms of land tax and other levies as well as statutes, Hong Kong's taxation system is mainly "regional" or "tax source" based. Therefore, enterprises engaged in trade, professional services, and business activities in Hong Kong are subject to taxation. Under Hong Kong's Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), the taxes levied in Hong Kong primarily comprise three types: profits tax, salaries tax, and property tax. The taxation period is from April 1 to March 31 of the following year. The profits tax, salaries tax, and property tax are described as follows:

- (1) Profit Tax: Anyone, including companies, partnerships, trustees, or groups and natural persons, who engages in an industry, profession, or business in Hong Kong whereby said industry, profession, or business has generated taxable profits from Hong Kong (except for profits from the sale of capital assets) must pay taxes.
- (2) Salaries Tax: Salaries tax is payable on all income, employment, and Retirement generated in Hong Kong or obtained from Hong Kong.
- (3) Property Tax: The tax paid in Hong Kong for holding property and leasing profits. There is no need to pay property tax for holding property only; but one must still pay rates, land taxes, or government rents.

Other taxes include:

- (4) Stamp Duty: The tax levied by the Hong Kong Government on all transfers involving real estate, real estate leases, and stock transfers.
- (5) Commodity Tax: Hong Kong generally does not impose a commodity tax, except for liquor, tobacco, hydrocarbon oils, and automobiles.

The profit tax rate is 16.5% (15% for non-corporation personnel). Therefore, the tax burden on enterprises operating in Hong Kong is relatively light, and companies earning income from non-Hong Kong sources (i.e., offshore income) or income from capital gains are exempt from taxation in principle. Therefore, Hong Kong's taxation system as well as laws and regulations have no adverse effect on the development for enterprises.

C. Are the Domestic Final Civil Judgments Binding?

There is no judicial reciprocity or other agreement of a similar nature between Hong Kong and the Republic of China. However, the Hong Kong courts may follow common law. The party may sue and request execution according to a judgment made by a court in the Republic of China, and the Hong Kong court may consider whether the judgment meets certain conditions including, but not limited to:

- (1) The judgment is related to the payment of a specific in and does A involve taxes or fines (including punitive liquidated damages); and
- (2) It must be the final judgment; and the judgment must may be have the the Health circumstances:
 - (A) Obtained fraudulently;
 - (B) The judgment procedure violates the principle of fairness and justice;
 - (C) The recognition and enforcement of the judgment violate Hong Kong's public policies;
 - (D) According to Hong Kong law, the courts of the Republic of China have no jurisdiction; or
 - (E) The result of the judgment is contrary to the results of the Hong Kong judgment that the same party has obtained in the same dispute.

3. Main Operating Country: Mainland China

A. Overall Economy as Well as Political and Economic Environment Changes

The People's Republic of China is located in East Asia and its capital is Beijing. Mainland China has a very long development history. As for its modern history development, economic development has become the focus of national development since Mainland China's reform and opening-up policy in 1978 that prompted Mainland China to become one of the fastest growing economies in Asia. Under its economic development plan, the Chinese government has formulated a development plan once every five years. Since the "12th Five-Year Plan" in 2011, Mainland China's national construction and development policies have become more comprehensive. In addition to the rapid expansion of domestic labor, capital, and resources as well as technology and system improvements aimed at improving the efficiency of various domestic production activities; Mainland China has also actively promoted general education, urbanization, infrastructure construction, and the upgrade of the resident consumption structure. Mainland China has also actively invested in international activities, participated in international organizations, and thereby promoted its international influence.

In recent years, China's economic development has relatively slowed down, but the government's development policy has entered the "13th Five-Year Plan" period. Under the continuation of infrastructure construction and policy development, economic development will continue to grow. According to the statistics from the National Bureau of Statistics of China, Mainland China's GDP from 2015 to 2019 was RMB¥68,905.2 billion, RMB¥74,412.7 billion, RMB¥82,712.2 billion, RMB¥90,030.9 billion and RMB¥99,086.5 with GDP growth rates of 6.9%, 6.7%, 6.9%, 6.6% and 6.1%, respectively. The statistics indicate a gradual slowdown in economic growth. However, the market in Mainland China has gradually warmed up. Therefore, with the continued implementation of the "13th Five-Year Plan" by the Chinese government and the international economy, Mainland China's economy is expected to continue to grow.

B. Foreign Exchange Control, Taxation Risks, and Relevant Laws and Regulations

After the reform and opening up of the Chinese government in 1978, the foreign exchange management system was gradually adjusted from a highly centralized project management to market management. However, the Chinese government made major reforms to the foreign exchange management system in 1994 and established the China Foreign Exchange Trading Center in order to provide foreign exchange trading and clearing services for financial institutions; establish an inter-bank foreign exchange market; and canceled foreign exchange retention, surrender, and quota management in the foreign exchange system. As the Chinese government has conducted foreign exchange reforms and implemented them for many years, the Renminbi has gradually become one of the major currencies worldwide as the global economic situation has evolved. Therefore, the exchange rates between the Renminbi and foreign currencies also affect China's political and economic development. So, Mainland China started to adopt a floating exchange rate policy since July 21, 2005 to officially detach the Renminbi exchange rate from the U.S. dollar; and adopted the Basket of Exchange Rates policy that allows the Renminbi exchange rate to fluctuate slightly. However, the Chinese government has strongly blocked the appreciation of the Renminbi in order to keep its exports competitive. Therefore, the exchange rate of the Renminbi tends to be undervalued. The international powers led by Europe and the United States will continue to exert pressure on the Chinese government to force the Renminbi to appreciate against the U.S. dollar.

C. Corporate Income Tax and Value Added Tax

(A) Corporate Income Tax Law

China's current law regulations for corporate income tax primarily comprise the "Enterprise Income Tax Law of the People's Republic of China" (hereafter "New Enterprise Income Tax Law") promulgated on March 16, 2007 and amended on February 24, 2017, as well as the "Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China" on December 6, 2007 (hereafter "Implementation Regulations"). The transition period measure the package implemented for foreign-invested enterprises established prior to the promulgation of the new Exchange Act in 2007, which meant that companies that have enjoyed a lower income Tax rate can receive a grace period of up to five years. The new Exchange Act promulgated in 2007 the package implemented on January 1, 2008. According to the New Enterprise Income Tax Law and its implementation rules, a 25% corporate income tax would uniformly apply to foreign- and domestic-funded enterprises in China China, and a number of tax reductions and exemptions for foreign companies were canceled. In addition, pursuant to the New Enterprise Income Tax Law and starting January 1, 2008, if a non-resident enterprise does not have an institution or place of business in Mainland China or if the institution or place of business has been established but the income obtained is not actually related to the institution or place of business established, the income shall be regarded as one of the various passive incomes originated in Mainland China (e.g., dividends), and the prepaid income tax shall be paid at a 10% tax rate (with a 5% tax rate under the Hong Kong Special Administrative Region tax treaty).

(B) Value-Added Tax

The value-added tax (VAT) of Mainland China was primarily introduced in 1979. However, because the system was not yet complete, the Chinese government conducted reforms and promulgated the

"Provisional Regulations of the People's Republic of China on Value-Added Tax" in December 1993, revised the relevant regulations in November 2008 and November 2017, started implementation on November 19, 2017. The regulations mainly provide that units and individuals who sell goods, labor services, tangible movable property leasing services, or import goods in Mainland China are VAT taxpayers; and the main VAT rate is 0%-13%. The zero-tax rate also applies if the export goods meet certain conditions. The implementation of the regulations has been gradually promoted after Shanghai began to pilot program to switch from business tax to VAT in January 1, 2012. On August 1, 2013, the pilot reform was promoted throughout the nation. The pilot industries include transportation, postal services, and telecommunications. For modern services such as R&D and technical services, information technology services, cultural and creative services, logistics support services, forensic consulting services, and tangible movable property leasing services; except for the 16% VAT rate for tangible movable property leasing services; the VAT rate for transportation and postal services is 11%, the VAT rate for modern services providers is 6% (except for limited movable property leasing services), and the VAT rate for taxable services regulated by the Ministry of Finance and the State Taxation Administration is 0%. Since May 1, 2016, the pilot reform of switching from business tax to VAT has been launched nationwide. All business taxpayers including construction, real property, finance, and life services have been included in the scope of the pilot reform and have been switched from paying business tax to VAT. The business and services of the important subsidiaries in Mainland China may involve pilot reform related businesses and services. Therefore, the scope of the VAT taxation and the aforesaid tax rates may apply.

D. Law of the People's Republic of China on Employment Contracts

The Chinese government passed the "Law of the People's Republic of China on Employment Contracts" (hereafter "the Law") on June 29, 2007, started implementation on January 1, 2008, and revised it on December 28, 2012. The Law provided that once the enterprise has commenced employment (including internship), the employer and the employee must sign a written labor contract. If the written labor contract has not been signed for one year from the date of hiring, the employer and employee parties are deemed to have reached a labor contract with no fixed termination period and no fixed term. Therefore, if the employer has not signed a written labor contract with the employee between one month and less than one year after the date of employment, the employer shall pay two-month's salary for each month that the employee has worked. In addition, when the employment relationship ends, the employer must pay economic compensation if special conditions stipulated in the labor contract have been met. However, if the employer provides the same or better renewal conditions compared to that of the previous contract but the employee refuses to accept the new contract, the employer shall be exempted from paying economic compensation. The compensation shall be based on the employee's tenure, but shall not include specific periods determined by the local government prior to 2008. Generally speaking, employees are entitled to one month's salary as compensation for each year that they have worked. A work period over six months and less than one year shall be deemed as one year. Employees who worked for less than six months are entitled to a half month's salary as compensation. In addition, if the employer and the employee have not signed a written employment contract, but there is an arbitration or court judgment that the employment relationship actually exists for over one month, the employer shall pay the employee double the monthly salary and the employee compensation according to the preceding calculation method with no exemption period. In terms of the non-scheduled employment contract part, it is unclear whether the employer has the obligation to pay the employee compensation.

E. Particularities of Land and Real Property

The relevant regulations regarding land and real property in Mainland China are primarily based on the "Law of the People's Republic of China on Land Administration" and the "Law of the People's Republic of China on Urban Real Estate Administration." Mainland China mainly implements the socialist public ownership of land. The ownership of the land is mainly exercised by the State Council on behalf of the state, and there is no private land in the territory. Additionally, the lands in Mainland China are also subject to different useful life due to different characteristics of use. For example, the land use for residential land is 70 years; and the land use for industrial land, education, science and technology, culture, health, and sports is 50 years. Pursuant to Article 22 of the "Urban Real Estate Administration," upon expiration of the land use right, the land user must apply for renewal one year in advance. Unless the land must be recovered according to the public interest, the land user must sign a new contract upon approval by the government, pay the land use right transfer fee, and complete the registration. In addition, the state may impose eminent domain or expropriate the land according to public interest pursuant to the law, and provide compensation to the land user.

In terms of housing lease, the Chinese government has promulgated the "Administrative Measures for the Leasing of Commodity Housing" on December 1, 2010 and provided that parties to a housing lease must sign a written lease contract. The "Contract Law of the People's Republic of China" and the relevant provisions provided by the Supreme People's Court via "Interpretation on Several Issues Concerning the Specific Application of Law in the Trial of Disputes Over Town House Leasing Contract" provide that the law and administrative regulations require a lease contract to undergo the lease filing formalities. However,

failure of the parties to complete the registration procedures shall not affect the validity of the lease contract, the ownership of the subject matter, and other property rights that cannot be transferred.

The Company's subsidiary in Mainland China -- JUWENLEE -- has been unable to obtain a real property license throughout the original land and building obtaining process due to the real property registration history problems. Therefore, when the Economic Development Bureau of Zhangzhou Taiwanese Investment Zone issued a notice on the registration of real estate for industrial enterprises in September 2017 to allow enterprises that meet the conditions to reapply for real property licenses according to the law, the Company completed the re-registration process for the plant and obtained the real property certificate for the aforesaid plant. Overall, there is no significant adverse impact on the Company's operations.

F. Social Insurance and Housing Provident Fund

(A) Social Insurance Payment Situation

In order to guarantee and enhance people's livelihood and welfare, the Chinese government promulgated the "Social Insurance Law of the People's Republic of China" in October 28, 2010 and implemented it on July 1, 2011. The main contents of the law include basic pension insurance, basic medical insurance, industrial injury insurance, unemployment insurance, maternity insurance, and social insurance premium collection. However, the different approaches or interpretations of the social insurance system for employees by the local governments in Mainland China have led to inconsistencies in terms of the pensions, medical care, work-related injuries, unemployment, and maternity insurance benefits implemented by the local governments when compared to the regulations promulgated by the State Council of China. The Company's subsidiary in Mainland China is currently paying the social life insurance premium according to the minimum base point provided by the law. The Company has estimated the difference from the amount payable under the current law and included it in the financial statements. The major shareholders also promised that if the difference is to be recovered by the competent authority, they will bear responsibility. Therefore, the relevant social insurance regulations will not have a significant or adverse impact on the Company.

(B) Housing Provident Payment Status

The Chinese housing system started in the 1980s, and was inspired by the Singapore Central Provident Fund system in 1991. Therefore, the housing provident fund system was first established in Shanghai and then extended to cities and towns above the country level in 1994. To strengthen the management of the housing provident fund, Mainland China promulgated and implemented the "Regulations on the Management of Housing Provident Fund" in April 3, 1994 and revised it on March 24, 2002. However, due to the actual situation differences for the various areas across Mainland China, areas have established specific provisions for housing provident fund collection under the premise of conforming to the "Regulations on the Management of Housing Provident Fund" or issuing housing provident fund payment base point and ratio related policies each year. In addition, the housing provident fund is limited to the purchase of houses and home repairs in the area where they are deposited, and cannot be used for external housing purchases. In addition, the employees must also pay the same ratio from their salary as that paid by the Company into the housing provident fund account. The Company's subsidiary in Mainland China is currently paying the housing provident fund according to the minimum base point provided by the law. The Company has estimated the difference from the amount payable under the current law and included it in the financial statements. The major shareholders also promised that if the difference is to be recovered by the competent authority, they will bear responsibility. Therefore, the relevant housing provident fund regulations will not have a significant or adverse impact on the company.

G. Environmental Protection

With the development of Mainland China, environmental protection has also become one of the key specifications of concern for the Chinese government. At present, the major environmental protection regulations of Mainland China include the "Environmental Protection Law of the People's Republic of China," "Water Pollution Prevention and Control Law of the People's Republic of China," "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution," and "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste." Pollution generating units are subject to the relevant regulations. Among them, if the enterprise produces waste gas, waste water, waste residue, dust, odorous gas, radioactive substances, noise, vibration, electromagnetic wave radiation, etc., it is necessary to obtain a waste discharge permit and pay the waste discharge fee. In the case of behaviors that violate the provisions provided by the relevant environmental protection laws, the relevant environmental protection supervision authorities may issue a warning, order a stop of production or utilization, order reinstatement and use, or issue punitive fines according to the different circumstances. In addition, GLINGLUO the construction project is put into production or use, its environmental pollution prevention and control facilities must pass the acceptance inspection by the environmental protection administrative department. Construction projects that fail to meet the requirements of the state's environmental protection control regulations for construction projects shall Company may be put into production or be utilized.

The Company's subsidiary in Mainland China -- JUWENLEE -- completed the environmental inspection acceptance in 2011 and obtained the pollution discharge permit (the latest license is valid from March 15, 2017 to March 14, 2022). In response to the future development needs, the Company's status was reported to the Zhangzhou Taiwanese Investment Zone Economic Development Administration on May 30, 2016; and the Company completed the investment for the application to expand the annual output of cosmetics to 500 tons on December 1, 2017. As of the publication date of the assessment report, the environmental inspection acceptance report for the project expansion area has been completed and approved by the experts on-site, the total amount of pollution discharge applied has been approved, and the Company has obtained the approval for the registration and the renewal of the discharge permit from the environmental protection department. In addition, the Zhangzhou Taiwanese Investment Zone Environment and Safety Production Supervision Administration issued a certification on March 9, 2018 certifying that the Company has complied with the national and local regulations on environmental protection and safety production without any major environmental pollution accidents or production safety accidents. In addition, the major shareholders of the Company have also issued a letter of commitment pledging to bear any relevant fees incurred because of any law violations based on the circumstances described above. In summary, the relevant environmental protection regulations will not pose a significant and adverse impact on the Company.

the Company obtained the approval documents from the Zhangzhou Taiwanese Investment Zone Environment and Safety Production Supervision Administration on July 30, 2018 approving the Company's acceptance inspection record to expand the Company's annual cosmetics projects production to 500 tons. In addition, according to the response opinion of the Ministry of Ecology and Environment, Decree 11 "China MEP Published Management Catalog of Fixed Pollution Sources (2019)" issued by the Ministry of Ecology and Environment on December 20, 2019, the Company was divided into C2682 Cosmetics Industry and obtained a pollutant discharge permit on March 18, 2020. Therefore, the aforesaid risks should have no impact on the financial business of the Company.

H. Chinese Government's Policy Development Trends and Regulatory Changes

The Company's subsidiaries in Mainland China are subject to the supervision and jurisdiction of the Chinese government including, but not limited to, the business department, industry and commerce department, foreign exchange management department, environmental protection department, safety supervision department, and drug regulatory department. The aforesaid government regulatory authorities have the right to promulgate and/or enforce laws and regulations concerning the production and operations of the subsidiaries in Mainland China pursuant to the laws and regulations. The production and operation of the Company's subsidiaries in Mainland China require the approval and permission from the government regulatory authorities. If the subsidiaries in Mainland China cannot obtain or continue to hold the relevant approvals and permits from the various government regulatory authorities, said subsidiaries may incur penalties such as fines, terminations, or restrictions on operations. Any such occurrence will affect the production and operation of the Company. The Company will continue to closely observe and understand the policy development trends and regulatory changes of the Chinese government, and strive to follow them.

I. Dividend Distribution

As the Company is a holding company, its ability to pay dividends depends on the surplus and distribution of its subsidiaries as well as the distribution method and amount passed by the Board of Directors. Therefore, the future dividend distribution will be allocated based on the Group's overall operating performance, financial position, cash requirements, and the applicable laws and regulations. For example, according to Chinese laws, subsidiaries in Mainland China can only distribute and pay dividends from their net profits, and the net income amount is based on China's generally accepted accounting principles based on the retained earnings calculated by the relevant financial regulations in China as the benchmark. This is different from international financial reporting standards.

J. Are the Domestic Final Civil Judgments Binding

According to the "Provisions of the Supreme People's Court on Recognition and Enforcement of the Civil Judgments of Courts of the Taiwan Region" promulgated on June 29, 2015 and implemented on July 1, 2015, parties of a civil judgment issued by a district court in Taiwan can issue an application for a People's Court in Mainland China to recognize the civil judgment issued by a relevant court in Taiwan for issues such as: civil judgments, rulings, reconciliations, mediations, and payment orders. The People's Court shall, after examination, confirm whether the civil judgment issued by the Taiwan District Court is true and enter it into force. The People's Court may recognize any issues not in contravention of the one China principle, and the relevant matters are as follows:

- (A) The civil judgment applied for recognition was made in the absence of the respondent, was not legally transmitted, or was made without capacity for action and without proper representation.
- (B) The case is exclusively under the jurisdiction of the People's Court.
- (C) The parties to the case have a valid arbitration agreement and have not waived the jurisdiction of the arbitration.

- (D) The case is ruled on by the People's Court or an arbitration award has been made by an arbitration tribunal in Mainland China.
- (E) The Hong Kong Special Administrative Region, the Macao Special Administrative Region, or a foreign court has made a judgment for the same dispute; and the decision has been approved or recognized by the People's Court.
- (F) The Taiwan region, Hong Kong Special Administrative Region, the Macao Special Administrative Region, or a foreign arbitration tribunal has made a judgment for the same dispute; and the decision has been approved or recognized by the People's Court.

Therefore, after being approved by the People's Court, the civil judgment of the Taiwan District Court and the effective judgment of the People's Court shall have the same effect. However, considering that the People's Court of Mainland China is conditionally accepting the judgment of the Taiwan Civil Court, and there are uncertainties regarding the delivery of the litigation files issued by a Taiwan court to Mainland China as well as the recognition application and enforcement time and force, the effectiveness of civil judgments made by Taiwan courts may still be at risk of being unrecognized and unenforceable in Mainland China.

(III) Effects That Interest, Exchange, Fluctuation, and Inflation Rates Have on the Profits and Losses of the Company as Well as the Future Response Measures

1. Effects that Interest Rate Changes Have on the Profits and Losses of the Company as Well as the Future Response Measures

Unit: NT\$1,000; %

Items \ Year	2018		2019	
	Amount	% of net sales ratio	Amount	% of net sales ratio
Interest revenue	11,739	0.86	36,314	2.51
Interest Expenditures	-	-	99	0.01

The Company has no external capital borrowings over the last two years, so the market interest rate changes have not had a significant impact on the financial business of the Company.

The Company's capital planning is conservative and stable, and regards security as the primary concern for its working capital allocation. Idle funds are mainly in capital preservation financial products, fixed deposits and demand deposits, and the proportion of interest income is not high. However, the Company still maintains good relations with financial institutions, and can bargain for favorable financing conditions if there is a financing need in the future. In addition, the financial unit of the Company also pays close attention to the economic development situation on a regular basis and will take corresponding measures when necessary.

2. Effects That Exchange Rate Changes Have on the Profits and Losses of the Company as Well as the Future Response Measures

Unit: NT\$1,000; %

Items \ Year	2018	2019
Exchange gain (loss)	(161)	(2,650)
% of operating revenue	0.01	0.18

The percentage of the Company's exchange gain (loss) for the most recent two years in the annual net operating revenue is considered low. The Company's collection currency and payment for purchases are mainly based on the Renminbi. Various expenses and payments can be offset to achieve natural hedging effects, reduce currency exchange needs, and can minimize the effects of exchange rate fluctuations.

3. Effects That Inflation Has on Company Profits as Well as the Future Response Measures

Under the rapid changes in the global economic environment, the Company has not experienced any significant impact on gain or loss due to the aforesaid inflation or deflation crisis as of the publication date of this Annual Report. In the future, the Company will continue to maintain close and good relations with suppliers and downstream customers, pay attention to market price fluctuations at all times, adjust procurement strategies and sales quotations in a timely manner, and reduce the impact of inflation changes on the Company's gains or losses.

(IV) Main Policies for Engaging in High-risk Engagements, Highly Leveraged Investments, Endorsement Guarantees, and Derivative Financial Transaction Policies; Main Reasons for Profits and Losses; and Future Response Measures

1. Main Policies for Engaging in High-risk Engagements and Highly Leveraged Investments, and the Main Reasons for Profits and Losses as Well as Future Response Measures

The Group has focused on its business operations based on the principle of soundness and pragmatic business philosophy, and never engaged in high-risk or high leveraged investments and transactions.

2. Main Financial Loan Policies, and the Main Reasons for Profits and Losses as Well as Future Response Measures

The Group has focused on its business operations based on the principle of soundness and pragmatic business philosophy, and never provided any financial loans to others. If the Group is to engage in relevant transactions in the future, it shall proceed cautiously in accordance with the "Operating Procedures for Loaning Funds to Others" established by the Company, and conduct the announcement declaration operations according to the relevant laws and regulations.

3. Endorsement Policy, Main Reasons for Gains or Losses, and Future Response Measures

For the most recent year and until the date of publication of the annual report, except the endorsement/guarantee made by the subsidiary, Lever Guide Biotech Co., Ltd. (TW), totaling NT\$150,000 thousand to satisfy the banking financing need on November 8, 2019, none of the Group members has made endorsements/guarantees or engaged in derivatives trading. Such transaction shall proceed cautiously in accordance with the "Operating Procedures for Endorsement and Guarantee" established by the Company, and conduct the announcement declaration operations according to the relevant laws and regulations.

4. Main Financial Derivatives Trading, and the Main Reasons for Profits and Losses as Well as Future Response Measures

The Company doesn't engage in any financial derivatives trading. Notwithstanding, if the Company does, the Company's Operating Procedure for Acquisition or Disposal of Assets will apply.

(V) Future R&D Plans and Anticipated Investments in R&D Expenses

1. Future R&D Plans

A. Development New Series of Products

For products that have reached the market for a certain number of years, the technology center will redevelop a new series of products to satisfy the market demand; which shall contain new dosage formulas, ingredients, and enhanced product efficiency. In terms of consumer demands and market mainstream trends, the Company will develop skin care products that meet the new demands and new functions in order to increase product breadth and market share.

B. Exchange with Peers

Actively participate in communication, broaden horizons, understand the latest trends in the industry, learn relevant information, master the latest technologies, explore new ideas, and improve product development and product pricing control capabilities.

C. Cooperation with Academic Units

Work with related research institutions to develop or transfer the patents, with respect to stem cells, genes and existing patented technology, and apply the same to related products.

D. Department Review and Summary

Review and summarize product design on a regular basis as well as improve design concepts, technical materials, etc.

2. Expected Investments in R&D Expenses

Unit: NT\$1,000; %

Items \ Year	2018	2019
R&D Costs	40,144	67,273
% of operating revenue	2.96%	4.65%

The Company's R&D investment is determined according to the new product development progress and process. With the acquisition of new product development plans and testing equipment, R&D expenses will be increased each year in order to support future R&D projects and increase the Company's market competitiveness. The R&D investment in 2020 is estimated to be no less than 3% of the operating revenue for the year.

(VI) Effects the Key Domestic and International Policy and Law Changes Have on the Financial Operations of the Company as Well as the Response Measures

The Company is registered in the British Cayman Islands. The Cayman Islands' main economic activity is financial services, its economy is open without foreign exchange controls, and it has stable political and economic conditions. The main place of operation is Mainland China. The various business operations of the Company are conducted in accordance with the important policies and laws of the country where the operations take place, and the Company will keep abreast of the important policy development trends and changes in the law. If there are any changes, the Company shall consult with lawyers, accountants, and other relevant units, or evaluate and plan the response measures, respond to changes in the market environment,

and take the appropriate countermeasures. In the most recent year and as of the publication date of this Annual Report, there are no significant changes in the policies and laws of the aforesaid regions that pose a significant impact on the Company's financial business.

(VII) Effects That Technological Changes and Industry Changes Have on the Financial Operations of the Company as Well as the Response Measures

The Company is constantly paying attention to the relevant technology updates and enhancements in the industry and capturing the latest market information in order to assess its impact on the Company's operations. In terms of international financial technology development, enterprises are facing increasingly more risks. The Company has established a complete network and computer security protection system to control or maintain the functions of the Company's manufacturing operations as well as accounting and other important business operations. The Company also implemented the confidential software to prevent internal business information from being disclosed to the public. In the most recent year and as of the printing date of this Annual Report, the technological changes and industrial changes have no significant impact on the Company's financial business.

(VIII) Effects That Corporate Image Have on Corporate Crisis Management as Well as the Response Measures

The Company adheres to the concept of honesty, trustworthiness, and sustainable management. Since its establishment, it has focused on the business of the industry, developed a good corporate image, complied with the relevant laws and regulations, and will continue to maintain a good corporate image. In the most recent year and as of the publication date of the Annual Report, there is no corporate image change resulting in corporate crisis management.

(IX) Expected Benefits and Possible Risks of Merger and Acquisition as Well as the Response Measures

As of the publication date of the Annual Report, the Company did not have any purchase plans for other companies.

(X) Expected Benefits and Possible Risks of Factory Expansions as Well as the Response Measures

The Company's subsidiary, JUWENLEE (FUJIAN) COSMETICS CO., LTD., was supposed to change its investment project as the "annual cosmetics production capacity to 500 tons" on December 1, 2017. After that, its annual production capacity attained 700 tons. Given the growing operating revenue and increasing production capacity and output, the existing output could not afford for the future development. It plans to demolish and expand the original factory premises. The reconstruction site will occupy an area of about 4,300 square meters and the total construction area account for an area of about 17,000 square meters. The project will be carried out in two stages. The first stage is intended for the expansion of the factory premises, while the second stage is for expansion of the smart warehousing center. After that, the production capacity of cosmetics is expected to increase by 2,100 tons per year. Namely, the annual production capacity will increase from 700 tons to 2,800 tons per year.

In response to the expansion project and need for production capacity, the Company will complete the construction in steps, and adjust the production capacity and expand progress subject to the demand in the market, in order to enhance the production capacity utilization rate.

(XI) Risks of Concentrated Procurement or Sales as Well as the Response Measures

1. Risks of Concentrated Procurement and the Response Measures

The Company's purchase targets are dispersed according to the source and nature of the raw materials. In the past two years, the proportion of purchases from each supplier has not reached 30%. Overall purchases are not concentrated from a single supplier, so there is no concentrated procurement related risk.

2. Risks of Concentrated Sales and the Response Measures

The Company's main operating model is to establish regional distributors, have the distributors provide the products to terminal beauty salons, and have the terminal beauty salons sell to individual consumers. The sales amount of each distributor accounted for less than 10% of the total sales amount, so there is no risk of concentrated sales.

(XII) Effects and Risks That Large-number Transfers or Replacements of Directors, Supervisors, or Major Shareholders Holding Over 10% of the Company's Shares Have to the Company as Well as the Response Measures

As of the publication date of this Annual Report, there are no directors, supervisors, or shareholders holding over 10% of the shares who transferred a large volume of equity to others except for the investment structure restructuring for the purpose of returning to Taiwan for listing.

(XIII) Effects and Risks That Operating Rights Changes Have to the Company as Well as the Response Measures

As of the publication date of the Annual Report, the Company has no change in management rights that affects its operations.

(XIV) Litigation or Non-litigation Events

- 1. Finalized judgments or pending litigations, non-litigations, or administrative disputes for the Company in the last two years until the publication date of this Annual Report whereby the results may have major impacts on the shareholders' rights or share prices; and the facts, amount of the subject matter, litigation starting date, main parties involved in the litigation, and current handling condition that must be disclosed:** None.
- 2. Finalized judgments or pending litigations, non-litigations, or administrative disputes associated to the Company's directors, supervisors, or major shareholders holding over 10% of the Company's shares in the last two years until the publication date of this Annual Report whereby the results may have major impacts on the shareholders' rights or share prices:** None.
- 3. Company directors, supervisors, or major shareholders holding over 10% of the Company's shares involved in matters described by Article 157 of the Securities and Exchange Act in the last two years until the publication date of this Annual Report as well as the current handling status by the Company:** None.

(XV) Other Important Risks and Response Measures

1. Industry Risk - Intensive Market Competition

Professional lines of cosmetics and skin care products have better profits due to higher technical thresholds, but also attract enterprises or less legitimate manufacturers to join the competition. In addition, statistics provided by ZhiYan Intelligence Research Group (2016) indicated that there are over 50,000 professional brands, over 10,000 manufacturers, and approximately 1.7 million professional beauty salons across Mainland China. On average, each medium- to large-scale manufacturer's products can be sold in 300 beauty salons. This causes small-scale manufacturers to compete by providing discounts and gifts, which showcases the fierce competition of the market.

Response Measures

The Company is constantly paying attention to the relevant technology updates and enhancements in the industry and capturing the latest market information in order to assess its impact on the Company's operations. In the most recent year and as of the publication date of this Annual Report, the technological changes and industrial changes have no significant impact on the Company's financial business.

(2) Operating Risk - Counterfeiting is Severe in the Mainland China Market

As a professional high-end cosmetic and skin care brand, brand image is critical to the Company. However, as the Company continues to operate and expand, the Company's products are at risk of being counterfeited and maliciously attacked on the market, which may affect the Company's brand image and interests as well as have certain negative impacts on the Company.

Response Measures

If the Company's brand image and other rights are infringed on or the reputation is maliciously degraded, the Company shall elect to protect such interests via legal channels. These efforts may cost the Company a certain amount financially, materially, and in manpower as well as adversely affect the normal operation of the Company. The Company has established a professional anti-counterfeit products team to investigate the criminal responsibility of counterfeiters. This in turn helps to reduce the risk of product counterfeiting and damage to the brand image.

(3) Industry/Operational Risk - Beauty Care Instructors and Beauticians in Terminal Beauty Salons Have a High Turnover Rate

Beautician instructors are the key for the Company to retain its customers. In addition to constantly learning new knowledge, technology, product efficiency skilled care techniques, and equipment use, they must also have the necessary sales skills to visit the various regional terminal beauty salon owners and beauticians in order to promote the Company's products. Therefore, they even represent the Company's image and spirit in a sense. The beauticians of the terminal beauty salons are the first-line personnel facing the consumers to recommend products and care services. However, because both positions are considered long work hour and labor-intensive jobs, the employee turnover rate is relatively high.

Response Measures

In addition to the cooperative sponsorship of Luo Lih-Fen Image Health Management Institute with Eastern Liaoning University and signing an industry/academia cooperation agreement with Heilongjiang University of Chinese Medicine Jiamusi College, the Company has also established "skin care institutes" under its organizational structure, and created a comprehensive education and training system. Each year, core competence courses in professional knowledge, management skills, and nursing techniques are provided through "Youth Camps," "Knowledge Tour Camps," "I am Diva," and "Handsome Ace Camps" to beautician instructors, terminal beauty salon owners, and beauticians. The Company will also continue to provide a comprehensive staff welfare and promotion system as well as good working environment to the staff in order to retain excellent talents and reduce the turnover rate.

(4) Risks Relating to Statements Made in This Annual Report

A. Facts and Statistics Information

Certain external information and external statistics of this Annual Report are from different statistical publications and may be inaccurate, incomplete, or not up to date. The Company makes no representations as to the truth or accuracy of such statements and investors should not place undue reliance on such external information for investment judgment.

B. Prospective Statements, Risks, and Uncertainties Contained in the Annual Report

This Annual Report contains certain prospective statements and information about the Company and its affiliates. These statements and information are based on the beliefs, assumptions, and current information of the management level of the Company. These statements are subject to certain risks, uncertainties, and assumptions that may or may not occur in the manner expected by the Company. Therefore, investors must exercise due consideration in knowing that reliance on any prospective statements may involve known and unknown risks and uncertainties.

In summary, although the Company contains the risks described above, whether they will occur depends on many uncertain factors in the future and the Company's response measures.

VII. Other Material Issues

None.

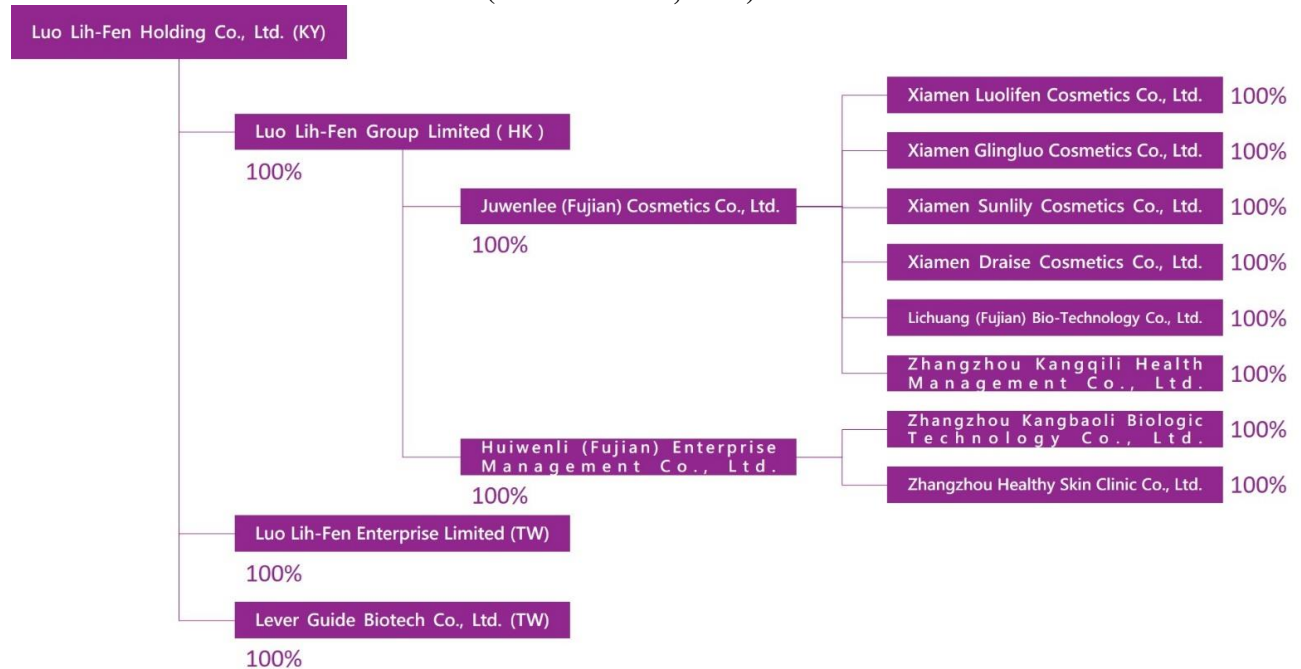
Eight. Special Items

I. Information on Affiliates

(I) Affiliate Merger Report

1. Affiliate Status

Organizational chart of affiliates
(Until March 9, 2020)



2. Relations Between its Affiliates, Mutual Shareholding Ratios, Shares, and Actual Investment Amounts

Date of Data: March 30, 2020

Name of the Affiliate	Relationship to the Company	The Company Holds			Affiliate Holds The Company's Shares		
		Holding ratio (%)	Shares Held (Thousand shares)	Investment Amount	Holding ratio (%)	Shares Held (Thousand shares)	Investment Amount
Luo Lih-Fen Group Co., Ltd.	Subsidiary of the Company	100	1,600	US\$1.6 million	—	—	—
Luo Lih-Fen Enterprise Limited	Subsidiary of the Company	100	Note 1	NT\$2.5 million	—	—	—
Lever Guide Biotech Co., Ltd. (TW)	Subsidiary of the Company	100	21,000	NT\$210 million			
Juwenlee (Fujian) Cosmetics Co., Ltd.	Sub-subsidiary of the Company	100	Note 1	US\$1.5 million	—	—	—
Xiamen Luolifen Cosmetics Co., Ltd.	Subsidiary of JUWENLEE	100	Note 1	RMB¥6.5 million	—	—	—
Xiamen Glingluocosmetics Co., Ltd.	Subsidiary of JUWENLEE	100	Note 1	RMB¥500,000	—	—	—
Xiamen Sunlily Cosmetics Co., Ltd.	Subsidiary of JUWENLEE	100	Note 1	RMB¥500,000	—	—	—
Xiamen Draise Cosmetics Co., Ltd.	Subsidiary of JUWENLEE	100	Note 1	RMB¥1 million	—	—	—
LiChuang (FuJian) Bio-Technology Co., Ltd.	Subsidiary of JUWENLEE	100	Note 1	RMB¥14 million	—	—	—
Zhangzhou Kangqili Health Management Co., Ltd.	Subsidiary of JUWENLEE	100	Note 1	RMB¥5 million	—	—	—
Xiamen Senlinhai Industry & Trade Co., Ltd.	Investee of JUWENLEE	30	Note 1	RMB¥1.8 million	—	—	—
Huiwenli (Fujian) Enterprise Management Co., Ltd.	Sub-subsidiary of the Company	100	Note 1	RMB¥39.90 million	—	—	—
Zhangzhou Kangbaoli Biologic Technology Co., Ltd.	Subsidiary of Huiwenli	100	Note 1	RMB¥5 million	—	—	—
Zhangzhou Healthy Skin Clinic Co., Ltd.	Subsidiary of Huiwenli	100	Note 1	RMB¥3 million	—	—	—

Note 1: A limited company without share division.

3. Information about the Same Shareholder Presumed to Have Control and Affiliation: None.

4. Overall Relationship Between the Industries Covered by the Business Operations of the Enterprise and the Division of Labor for the Correlated Businesses Operated by the Various Enterprises Must be Explained: None.

5. Names of Directors, Supervisors, and Managers of the Various Affiliates

Date of Data: March 9, 2020

Affiliates	Title	Name and Representative	Shares Held	
			Number of Shares (Thousand shares)	Holding Ratio
Luo Lih-Fen Group Co., Ltd.	Director	Huan-Wen Jao	1,600	100%
Luo Lih-Fen Enterprise Limited	Director	Lih-Fen Luo	Note	100%
Lever Guide Biotech Co., Ltd. (TW)	Director	Lih-Fen Luo	21,000	100%
Juwenlee (Fujian) Cosmetics Co., Ltd.	Managing director Supervisor President	Huan-Wen Jao Chien-Lung Chang Jian-Ping Lin	Note	100%
Xiamen Luolifen Cosmetics Co., Ltd.	Managing director Supervisor President	Hung Chen Jian-Ping Lin Hung Chen	Note	100%
Xiamen Glingluocosmetics Co., Ltd.	Managing director Supervisor President	Chao-Hsiang Chi Hung Chen Chao-Hsiang Chi	Note	100%
Xiamen Sunlily Cosmetics Co., Ltd.	Managing director Supervisor President	Li Wang Chao-Hsiang Chi Li Wang	Note	100%
Xiamen Draise Cosmetics Co., Ltd.	Managing director Supervisor President	Hung Chen Jian-Ping Lin Hung Chen	Note	100%
LiChuang (FuJian) Bio-Technology Co., Ltd.	Managing director Supervisor President	Huan-Wen Jao Li Wang Hung Chen	Note	100%
Zhangzhou Kangqili Health Management Co., Ltd.	Managing director Supervisor President	Chao-Hsiang Chi Chien-Ching Lo Chao-Hsiang Chi	Note	100%
Xiamen Senlinhai Industry & Trade Co., Ltd.	Managing director Supervisor President	Hai-Ming Lin Hao-Wen Lin Hai-Ming Lin	Note	30%
Huiwenli (Fujian) Enterprise Management Co., Ltd.	Managing director Supervisor President	Huan-Wen Jao Jian-Ping Lin Chen-Hua Wang	Note	100%
Zhangzhou Kangbaoli Biologic Technology Co., Ltd.	Managing director Supervisor President	Hung Chen Hsiao-Li Chu Hung Chen	Note	100%
Zhangzhou Healthy Skin Clinic Co., Ltd.	Managing director Supervisor President	Chao-Hsiang Chi Chien-Lung Chang Chao-Hsiang Chi	Note	100%

Note: Must be a limited company without share division.

6. Operating Status of Affiliates

Date of Data: March 9, 2020 Unit: NT\$ thousand

Affiliates	Accounting Handling Method	Paid-up Capital	Total Assets	Net Equity	Operating Incomes	Current Period Gain or Loss (After Tax)	Investment Gain or Loss	Distribution of Dividends
Luo Lih-Fen Group Co., Ltd.	Equity Method	USD 1,600 thousand	1,175,949	1,175,429	-	513,749	513,749	-
Luo Lih-Fen Enterprise Limited	Equity Method	NTD 25 million	11,571	9,863	-	(10,997)	(10,997)	-
Lever Guide Biotech Co., Ltd. (TW)	Equity Method	NTD 210 million	209,904	197,412	1,685	(12,588)	(12,588)	-
Juwenlee (Fujian) Cosmetics Co., Ltd.	Equity Method	USD 1,500 thousand	1,317,645	1,001,037	1,434,609	514,071	514,071	184,019
Xiamen Luolifen Cosmetics Co., Ltd.	Equity Method	CNY(RMB) 6,500 thousand	18,860	18,762	-	(966)	(966)	-
Xiamen Glingluocosmetics Co., Ltd.	Equity Method	CNY (RMB) 500 thousand	8,406	7,162	12,999	1,478	1,478	-
Xiamen Sunlily Cosmetics Co., Ltd.	Equity Method	CNY (RMB) 500 thousand	13,619	12,118	17,478	3,276	3,276	-
Xiamen Draise Cosmetics Co., Ltd.	Equity Method	CNY (RMB) 1,000 thousand	4,149	3,749	2,070	(1,130)	(1,130)	-
Lichuang (Fujian) Bio-Technology Co., Ltd.	Equity Method	CNY(RMB) 14,000 thousand	59,231	56,903	362	(3,498)	(3,498)	-
Zhangzhou Kangqili Health Management Co., Ltd.	Equity Method	CNY(RMB) 5,000 thousand	-	21,525	-	-	-	-
Xiamen Senlinhai Industry & Trade Co., Ltd.	Equity Method	CNY (RMB) 6,000 thousand	31,172	8,028	4,900	967	290	-
Huiwenli (Fujian) Enterprise Management Co., Ltd.	Equity Method	CNY (RMB) 39,900 thousand	171,911	171,909	-	(303)	(303)	-
Zhangzhou Kangbaoli Biologic Technology Co., Ltd.	Equity Method	CNY (RMB) 5,000 thousand	21,521	21,521	-	(4)	(4)	-
Zhangzhou Healthy Skin Clinic Co., Ltd.	Equity Method	CNY (RMB) 3,000 thousand	12,602	12,585	-	(343)	(343)	-

Note 1: The assets and liabilities are converted based on the foreign exchange rate (NTD1:RMB4.305) at the end of last year.

The incomes are based on the yearly average foreign exchange rate (NTD1:RMB4.472).

Note 2: In order to develop its business in Taiwan, the Company invested \$210,000 to found Lever Guide Biotech Co., Ltd. in June 2019.

Note 3: In order to solidify the high-end private customized projects, the Group invested RMB¥3 million upon resolution by the shareholders' meeting of Huiwenli, an indirect subsidiary of the Company, to found Zhangzhou Health Skin Clinic Company on May 9, 2019.

Note 4: In order to launch the aesthetic medicine and health business lines, the Group invested RMB¥5 million upon resolution by the shareholders' meeting of Huiwenli, an indirect subsidiary of the Company, to found Zhangzhou Kangbaoli Biologic Technology Co., Ltd. on July 10, 2019.

Note 5: In order to develop the online sale of beauty and skin care products, the Group invested RMB¥1.4 million upon resolution by the shareholders' meeting of Jiawenli, an indirect subsidiary of the Company, to found LiChuang (FuJian) Bio-Technology Co.,Ltd. On November 11, 2019.

Note 6: In order to develop the sale of health preservation beauty and skin care products, the Group invested RMB¥5 million upon resolution by the shareholders' meeting of Jiawenli, an indirect subsidiary of the Company, to found Zhangzhou Kangqili Health Management Co., Ltd. on December 6, 2019.

(II) Consolidated Financial Statements for Affiliates:

Same as the Consolidated Financial Statements. Please refer to Attachment II.

(III) Affiliate Report:

N/A.

II. Any private placement of securities in the recent years up to the date of publication of the annual report

None.

III. Holding or disposition of the Company's stock by subsidiaries in the most recent year and up to the date of publication date of the annual report

None.

IV. Other Matters That Require Supplemental Descriptions

Explanation of Significant Differences Compared to the Domestic Shareholders' Rights Protection Provisions:

The Company revised its Articles of Association according to the important shareholder protection related matters provided by the "Foreign Issuer's Checklist for the Protection of Shareholders' Rights in the Country of Registration" promulgated by the Taiwan Stock Exchange Corporation on September 19, 2017. However, some important matters concerning the protection of shareholders' rights and interests are not applicable under the laws of the Cayman Islands, so they have not been amended in the Company's Articles of Association. Please refer to the following table for details:

Difference Items	Cayman Islands Law Description	Articles of Association Description
"Special Resolution": Passed as a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares: In the event the total number of shares represented by the shareholders present at a shareholders' meeting is less than the percentage of said total shareholdings, the resolution may be adopted by two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.	According to the Cayman Islands Companies Law, the "Special Resolution" refers to a resolution passed as a resolution adopted by at least two-thirds of votes cast by shareholders present who represent a majority of the outstanding shares of the company at the meeting.	According to the Public Announcement No. Taiwan-Stock-Listing-0991701319 of TWSE dated April 13, 2010, under Article 39 and Article 2(1) of the Company's Articles of Incorporation, a special resolution refers to a resolution passed by a majority of at least two-thirds of votes cast by the shareholders present who represent a majority of the outstanding shares of the company, vote in person or, in the case of any Members being Juristic Persons, by their respective duly authorized representatives or, where proxies are allowed, by proxy, present at the shareholders' meeting, which also satisfies the requirements about attendance and votes under the Cayman Islands laws and Taiwan's Company Act.
1. The Company shall not reduce its capital without a resolution from the Shareholders' Meeting, and shall not sell its shares. The reduction of capital shall be reduced according to the proportion of shares held by the shareholders. 2. If the Company reduces capital, it must return the shares using assets other than cash. The return assets and the amount of the refund shall be subject to the Shareholders' Meeting resolution and subject to the consent of the assets payable shareholders. 3. The value of the property of the preceding paragraph and the amount of the offset shall be submitted by the Board of Directors to a Republic of China CPA for certification before being submitted to the Shareholders' Meeting.	Articles 14 to 18 of the Cayman Islands Companies Law have provided strict procedural and entity specifications for the Company's capital reduction, and the relevant specifications are mandatory and may not be changed by the Articles of Association.	The Cayman Islands Company Law has strict procedures and substantive specifications for the Company's capital reduction that cannot be changed by the Articles of Association. It is considerably different compared to the company capital reduction specification requirements provided by the Checklist for the Protection of Shareholders' Rights. To avoid problems and after the legal advice of Ogier is adopted, Article 14 of the Company's Articles of Association has been amended in order to handle the Company's capital reduction according to the procedures and provisions provided by the Cayman Islands Laws and the TWSE (TPEX) listing requirements. The Checklist for the Protection of Shareholders' Rights are stipulated in Article 24(1) of the Company's Articles of Association to buy back the shares based on the shareholding ratio and then cancel the same.

Difference Items	Cayman Islands Law Description	Articles of Association Description
<p>1. If the Shareholders' Meeting is convened outside the Republic of China, the case must be submitted to the Taiwan Stock Exchange for approval within two days after the Board of Directors resolution or the shareholders have obtained the permission from the competent authority.</p> <p>2. When the Company convenes a Shareholders' Meeting outside the Republic of China, it should entrust a professional shareholders service agent in the territory of the Republic of China to accept the shareholder voting related matters.</p>	<p>Cayman Islands laws has no relevant provisions.</p>	<p>As provided by the first part of Article 31 of the Company's Article of Associations: "During the listing period, the Shareholders' Meeting of the Company shall be held in the territory of the Republic of China." There is no exception. Therefore, there is no need to separately regulate the permission or application procedure to hold a Shareholders' Meeting outside the Republic of China.</p> <p>Additionally, the Shareholders' Meeting of the Company during the listing period will be held in the territory of the Republic of China. However, the Company will still entrust a professional shareholders service agent in the Republic of China to handle matters such as shareholder voting.</p>
<p>Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders. If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.</p>	<p>The Cayman Islands laws provide no relevant provisions.</p>	<p>Since the Company is a company established under the Companies Law of the Cayman Islands, and the Cayman Islands have no local authority to review whether it is up to the shareholders to convene the Shareholders' Meeting, the intent provided in the Public Announcement No. Taiwan-Stock-Listing-0991701319 of TWSE dated April 13, 2010, Article 32 of the Company's Articles of Associations provides that: "Any one or more shareholder(s) may, by depositing the requisition notice specifying the proposals to be resolved and the reasons thereof, request the Board to convene an extraordinary general meeting, provided that such shareholder or shareholders continuously hold at least three percent (3%) of the issued Shares of the Company as at the date of deposit of the requisition notice for a period of at least one year immediately prior to that date. If the Board does not give notice to shareholders to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing shareholder(s) may convene a shareholders' meeting." There is no need to report to the competent authority for permission.</p>
<p>A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person.</p>	<p>According to the legal opinion of Ogier, a shareholder who exercises his/her voting right in writing or in an electronic form shall not be deemed to be present in person, but shall be deemed to have appointed the Chairman of the Shareholders' Meeting as the proxy.</p>	<p>The latter part of Article 57 of the Company's Articles of Association provides that: "A shareholder who exercises his voting power at a shareholders' meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the shareholders' meeting as his proxy to vote his Shares at the meeting only in the manner directed by his written instrument or electronic document. The chairman of the meeting as proxy shall not have the power to exercise the voting rights of such shareholder with respect to any matters not referred to or indicated in the written or electronic document, impromptu proposal and/or any amendment to resolution(s) proposed at the said meeting. For the purpose of clarification, such shareholders voting in such manner shall be deemed to have waived their voting rights with respect to any extemporary matters or amendment to resolution(s) proposed at the shareholders' meeting. Therefore, this Article does not differ materially from the provisions of the ROC laws except that in terms of interpretation, the Chairman of the Shareholders' Meeting serving as the proxy for shareholders who exercise the right in correspondence or electronically must conform to the Cayman Islands laws regarding that the</p>

Difference Items	Cayman Islands Law Description	Articles of Association Description
		shareholders' resolution voting rights must be exercised by the participating shareholder or the proxy on-site.
After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the Shareholders Meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, two days prior to the Shareholders Meeting date. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail.	Cayman Islands laws has no relevant provisions.	According to Ogier's legal opinion and knowledge, there is currently no relevant court decision in the Cayman Islands. However, the British jurisprudence (a persuasive jurisprudence for the courts in the Cayman Islands) believed that even if the commission of the proxy is not canceled in accordance with the Company's Articles of Association, it does not prevent the shareholders from exercising the voting rights or exclude the calculation of the voting rights of the entrusted proxy. Therefore, Articles 58 and 61 of the Articles of Association of the Company provide that: "In case a shareholder who has cast his votes by a written instrument or by way of electronic transmission intends to attend the relevant meeting in person, he shall, at least two (2) day prior to the date of the meeting, revoke such votes by serving a notice in the same manner as he cast such votes. In the absence of a timely revocation of such votes, such votes shall remain valid. Nonetheless, such shareholder who attends and votes at a shareholders' meeting in person would be deemed to have revoked his prior voting instructions by a written instrument or by way of electronic transmission, notwithstanding that such shareholder has not submitted a revocation notice in accordance with this Article.", and "In case a shareholder who has served a proxy intends to attend the relevant shareholders' meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of the general meeting, revoke such proxy by serving a separate written notice to the Company or Shareholders Service Agent. Otherwise, the votes cast by the proxy at the meeting shall prevail. However, if the shareholder has failed to provide notification of revocation in accordance with the provisions of this Article and still attended the Shareholders' Meeting to exercise the voting right, the shareholder's personal appearance to exercise the voting rights shall be deemed as the shareholder revoking the previous proxy in accordance with the provisions of this Article." If the shareholder has exercised the voting right in writing or electronically, or issued a power of attorney to entrust a proxy to attend the Shareholders' Meeting and exercised the voting rights but failed to revoke said voting right exercised previously or via the proxy two days prior to the Shareholders' Meeting pursuant to Article 58 or the first part of Article 61 of the Company's Articles of Association and still attended the Shareholders' Meeting to exercise the voting right personally, the shareholder's personal appearance to exercise the voting right shall be deemed as the shareholder revoking the voting right exercised previously by correspondence or electronic means or the power of attorney for the proxy according to the aforesaid rules in order to comply with the provisions provided by the Cayman Islands laws.
In case a shareholder who has served a proxy intends to attend the relevant shareholders' meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of the meeting, revoke such proxy by serving a separate written notice to the Company. Otherwise, the votes cast by the proxy at the meeting shall prevail.	Cayman Islands laws has no relevant provisions.	

Difference Items	Cayman Islands Law Description	Articles of Association Description
<p>1. If the Company has set up supervisors, such supervisors must be elected by the Shareholders' Meeting. At least one of the supervisors must have a residence in the country.</p> <p>2. Supervisors shall not serve a term of over three years, but may be reelected.</p> <p>3. When all the supervisors are dismissed, the Board of Directors shall convene an extraordinary Shareholders' Meeting within 60 days to elect the supervisors.</p> <p>4. Supervisors shall supervise the implementation of the Company's business, inspect the Company's business and financial status at all times, audit the account book documents, and request the Board of Directors or managers to issue reports.</p> <p>5. The supervisors shall review the various documents formulated by the Board of Directors to be submitted to the Shareholders' Meeting, and report their review opinion to the Shareholders' Meeting.</p> <p>6. During audits, supervisors shall appoint a CPA or attorney on behalf of the Company to conduct the audit.</p> <p>7. Supervisors shall attend the Board of Directors meetings to present their opinions. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the board of directors or the director, as the case may be, to cease such act.</p> <p>8. Each supervisor shall have the right to exercise supervision independently.</p> <p>9. A supervisor shall not serve as a Company director, manager, or other employee.</p>	<p>The Cayman Islands laws provide no relevant provisions.</p>	<p>The Company has adopted the Audit Committees system, so no supervisor is appointed. Therefore, the specification in the left column does not apply to the Company.</p>
<p>1. Shareholders holding over 1% of the total shares issued by the Company for more than six months may request the supervisor in writing to file a lawsuit against a director on behalf of the Company, and the lawsuit shall submit to the jurisdiction of Taipei District Court of Taiwan in the first instance.</p> <p>2. If the supervisor does not file a lawsuit within 30 days after the shareholder makes the request, the shareholder may file a lawsuit on behalf of the Company, and the lawsuit shall submit to the jurisdiction of Taipei District Court of Taiwan in the first instance.</p>	<p>The Cayman Islands laws provide no relevant provisions.</p>	<p>No supervisor is appointed because the Company has adopted the Audit Committee system. Therefore, according to the provisions provided by Paragraph 3, Article 14-4 of the Securities and Exchange Act and the Letter Economy-Business No. 10000533380 of the Ministry of Economic Affairs on March 1, 2011, the independent directors shall replace the functions of the supervisors in the left column. In terms of the provisions provided by Article 86 of the Articles of Association of the Company, minority shareholders may issue a request in writing to request any independent director of the Audit Committee to file a lawsuit against any director who has damaged the Company or violated the Cayman Islands Laws, the TWSE (TPEX) listing requirements or the Articles of Incorporation.</p>
<p>A company choosing to issue shares without par value shall not convert its shares into shares with par value.</p>	<p>According to Article 8(1) of the Cayman Islands Companies Law, the exempted company is not allowed to issue shares with par value and shares without par value at the same time. According to the legal opinion of Ogier, based on said requirements and in consideration of the shares issuing procedures in practice, a Cayman Islands-based exempted company shall not convert its shares with par value into shares without par value, and vice versa.</p>	<p>Considering that the shares issued by the Company are all those with par value, it is impossible for the Company to issue or convert them into those without par value. Therefore, the requirements in the left column shall not apply to the Company. For avoidance of doubt, based on the purpose identified in the left column, the Company prescribes in Article 7(4) of its Articles of Incorporation that "the Company shall neither issue Shares without par value nor convert its Shares from Shares with par value to Shares without par value".</p>

Difference Items	Cayman Islands Law Description	Articles of Association Description
Procedures for the Company's capital increase through issuance of new shares or recapitalization of earnings or capital surplus for capital increase	The Cayman Islands laws provide no relevant provisions.	In response to the requirements referred to in the left column, the Company has added Article 7(2) in the draft of the amendments to the Articles of Incorporation, and submitted it to the general shareholders' meeting for resolution this year.
<p>1. When the Company increases capital through issuance of new shares, the Company shall make public announcement and advise, by notice, its original shareholders to subscribe for, with preemptive right, the new shares, except otherwise is resolved by a shareholders' meeting, in proportion respectively to their original shareholding and shall state in the notice that if any shareholder fails to subscribe for new shares, his right shall be forfeited. Where a fractional percentage of the original shares being held by a shareholder is insufficient to subscribe for one new share, the fractional percentages of the original shares being held by several shareholders may be combined for joint subscription of one or more integral new shares or for subscription of new shares in the name of a single shareholder. New shares left unsubscribed for by original shareholders may be open for public issuance or for subscription by specific person or persons through negotiation.</p> <p>2. When the Company increases capital through issuance of new shares within the territories of the R.O.C., it shall allocate 10% of the total new issues to be issued by it for publicly offering within the territories of the R.O.C., unless such a public offering is deemed to be unnecessary or inappropriate by the Competent Authority, provided that where a higher proportion is resolved by a shareholders' meeting, such resolution shall apply.</p>	The Cayman Islands laws provide no relevant provisions.	In response to the requirements referred to in the left column, the Company has added Articles 10(2) and 10(3) in the draft of the amendments to the Articles of Incorporation, and submitted it to the general shareholders' meeting for resolution this year.
<p>1. When a shareholders' meeting resolves to engage in share split, consolidation, acquisition or swap, the opposing shareholders shall be entitled to claim the redemption of the shares.</p> <p>2. The shareholders who wish to raise the request referred to in the preceding paragraph shall raise the request in writing, specifying the redemption price, within 20 days prior to resolution by the shareholders' meeting. Where the shareholders reach the agreement with the Company on the redemption price, the Company shall make the payment within 90 days upon resolution by the shareholders' meeting. Otherwise, the Company shall make the payment based on the fair value determined by it to the shareholders who fail to reach agreement with it within 90 days upon resolution by the shareholders' meeting. The Company's failure to make the payment shall constitute its agreement to the redemption price claimed by the shareholders.</p> <p>3. Where shareholders claim redemption of their shares against the Company in the circumstances referred to in the subparagraph 1 of Paragraph 1 and fail to reach agreement with the Company on the redemption price within 60 days upon resolution by the shareholders' meeting, the Company shall petition with the court to determine the price, identifying the whole shareholders who fail to reach agreement with it as the counterparts, within 30 days upon expiration of said-noted 60-day period. The petition shall submit to the jurisdiction of</p>	In the case of the merger which satisfies the definition referred to in Article 232 of the Cayman Islands Companies Law (including merger and consolidation), Article 238 of the same Law provides the related requirements about opposing shareholders' claim for redemption of shares. According to the legal opinion of Ogier, the opposing shareholders' right to claim redemption of shares based on said requirements will not be restricted or forbidden due to addition of the requirements referred to in the left column into the Articles of Incorporation.	In response to the requirements referred to in the left column, the Company has amended Articles 48(1)~48(3) and added Article 48(4) and Article 48(5) in the draft of the amendments to the Articles of Incorporation, and submitted it to the general shareholders' meeting for resolution this year.

Difference Items	Cayman Islands Law Description	Articles of Association Description
Taiwan Taipei District Court in the first instance.		
The motion to “convert shares” shall be subject to the special resolution by a shareholders’ meeting.	The Cayman Islands laws provide no relevant provisions.	In response to the requirements referred to in the left column, the Company has added Article 46(1)(f) in the draft of the amendments to the Articles of Incorporation, and submitted it to the general shareholders’ meeting for resolution this year.
In the case of merger & acquisition, the Company’s directors shall state to the Board of Directors and shareholders’ meeting the important details about their conflict of interest with the merger & acquisition transaction and the reasons why they assent or dissent to the resolution for merger & acquisition.	The Cayman Islands laws provide no relevant provisions.	In response to the requirements referred to in the left column, the Company has added Article 91 in the draft of the amendments to the Articles of Incorporation, and submitted it to the general shareholders’ meeting for resolution this year.
<p>1. The Company’s directors shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the Company. If he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the Company therefrom. In case the director does it for himself or on behalf of another person, the shareholders’ meeting may, by a resolution, consider the earnings in such an act as earnings of the Company.</p> <p>2. If the Company’s directors have, in the course of conducting the business operations, violate any provision of the applicable laws and/or regulations and thus cause damages to any other person, they shall be liable, jointly and severally, for the damages to such other person.</p> <p>3. The Company’s managers and supervisors shall bear the same liability of damages as the Company’s directors, insofar as it is within the scope of duty to be performed by them.</p>	<p>According to the legal opinion of Ogier, the obligations to be borne by the directors under the Cayman Islands laws include:</p> <p>(i) Skills, due diligence and reasonable care under the common laws: When exercising functions and dealing with the Company’s business, the directors shall be obligated to exercise reasonable skills and due diligence.</p> <p>(ii) Fiduciary duty: The directors shall be obligated to act loyally and honestly to the Company.</p> <p>(iii) Statutory obligation: The directors shall be statutorily obligated to handle the Company’s internal management (e.g. the obligation to record books and statement adequately), and be responsible for registering and archiving any decision or change made by the Company with respect to the Company’s statutory registration books and statement.</p> <p>The consequence for violation of said due diligence to be borne by directors shall be decided subject to the pattern of such violation. For example, the Cayman Islands laws define punishment against those who violate the statutory due diligence (e.g. fine and/or detention). In the case of the violation of common laws or fiduciary duty, the directors shall compensate the damages suffered by the Company or any third party therefor, return the Company’s property, or explain to the Company and pay the gains earned from the violation of such due diligence.</p>	In response to the requirements referred to in the left column, the Company has amended Article 73(1) and added Article 79(2) in the draft of the amendments to the Articles of Incorporation, and submitted it to the general shareholders’ meeting for resolution this year.
<p>1. Before convening a directors’ meeting to resolve any merger & acquisition motion, the Company shall have the Audit Committee or Special Committee (applicable to the company which has appointed supervisors) review on the fairness and reasonableness of the merger & acquisition planning and transactions, and report the review results to the Board of Directors and shareholders’ meeting, unless the local laws and regulations prevailing in the place of registration of the foreign issuer provide that it is not necessary to convene a shareholders’ meeting to resolve the merger & acquisition motion.</p> <p>2. When conducting the review, the Audit Committee (or Special Committee) shall retain the independent expert to comment on the reasonableness of share swap ratio or cash or other property allocated to shareholders.</p> <p>3. The Audit Committee’s (or Special Committee’s) review results and the independent expert’s opinion shall be sent to the</p>	Cayman Islands laws has no relevant provisions.	Considering that the Company adopts the Audit Committee system and no supervisors are appointed accordingly, the Company added Article 82.3 into the draft of the amendments to the Articles of Incorporation, providing that the motion & acquisition motion shall be reviewed by the Audit Committee and then submitted to a general shareholders’ meeting of the current year for resolution.

Difference Items	Cayman Islands Law Description	Articles of Association Description
<p>shareholders together with the notice for convention of a shareholders' meeting, provided that where the local laws and regulations in the place of registration of the foreign issuer provide that no shareholders' meeting's resolution is required for the merger & acquisition motion, the same shall be reported for the merger & acquisition motion at the latest shareholders' meeting.</p> <p>4. The same contents of the documents sent to the shareholders as referred to in the preceding paragraph shall be deemed served duly after they are posted on the website designated by the R.O.C. competent authority in charge of securities, and placed at the venue where the shareholders' meeting is convened for access by shareholders.</p>		

Nine. If Any of the Situations Listed in the Subparagraph 2 of Paragraph 3, Article 36 of the Securities and Exchange Act That May Materially Affect Shareholders' Equity or the Price of the Company's Securities Have Occurred During the Most Recent Fiscal Year Until the Publication Date of This Annual Report; Describe Each Situation.

None.

Luo Lih-Fen Holding Co., Ltd.



Chairman: Li-Fen Luo

A handwritten signature in black ink, consisting of three stylized characters: 羅麗芬.

