CHLITINA HOLDING LIMITED
2017Q3
IR PRESENTATION

Disclaimer

CHLITINA 克麗緹娜

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Corporate Snapshot

克麗緹娜

Corporate Snapshot

1) **Stock ticker**: 4137 TT
2) **Market Cap**: around US$ 300m **Paid-In Capital**: NT$795m (= 79.5m
3) **2016 sales**: RMB 694m / NT$ 3.361m
4) **2016 net profit**: RMB 151m / NT$ 731m
5) **2016 ROE**: 19.5%
6) **Major Shareholder** : Wealthy Garden (35.29%)
7) **Industry of Operation**: Beauty salon franchise
8) **Current Market Positioning**: Industry leader in mid-to-high-end beauty salon franchise
9) **Current Market Focus**: China (95% of sales)

Corporate Snapshot (cont.)

11) **Business Model**: We R&D, manufacture, market and sell our Chlitina brand cosmetic products to our franchise beauty salons, and generate the bulk of our sales via this channel.

12) **Brands under Chlitina**:

   A) CHLITINA(our main brand targeted at beauty salon channels)

   B) Up Lider (Chlitina's new brand targeted at beauty clinic channels)

   C) 3DR, Peekaboo (licensed)

13) **Number of franchised beauty salons** (as of Oct. 2017): 3,878 (3,587 in China and 291 in Taiwan)

14) **Full-time employees by regions & functions**: 600 employees ， 360 focused on sales and marketing in beauty salon channel , 40 in E-commerce and beauty clinic channels , 90 in production, 110 focused on operations and R&D.

Channels

CHLITINA 克麗緹娜 20 YEARS

Franchised beauty salons	E-commerce	Beauty clinics	Other
Our main distribution channel with 3878 salons to date (92% in China). Chlitina provides professional training, products, technology and assistance to franchisees. Product sales to beauty salons and franchise fees constitute about 95% of CHLITINA's income. We are now proactively seeking to expand our franchise network in South East Asia. Own brand：CHLITINA (克麗緹娜) Gross profit: about 80%	O2O e-commerce platform：Health Beauty Happiness (Xinmeili) carries carefully selected products from home and abroad that will reinforce diversity and uniqueness of CHLITINA's portfolio while combining existing network and resources. Aim: creating a beauty industry e-platform and improve operational efficiency. Multiple brands Gross profit: about 75%	2017Q3 will see the opening of our Beijing beauty clinic set for December. This channel will enable us to combine company resources such as products, franchisees, development, etc. Aim: building a new business model in the medical beauty industry. Own brand：Up Lider (亞普利得)	1. Licencing Above a certain threshold of sales for licensed brands 3DR and Peekaboo , CHLITINA gets 6% royalties. No direct cost, no inventory, gross profit:100% 2.ODM: Semi-finished beauty and skin care products made to order. No inventory, gross profit: 20%

The Chlitina Brand in Beauty Care

Joanna Chen, Chairwoman

<u>A 20-Year Brand in China, and the industry leader in salon franchise</u>

- **1989**: Brand inception of CHLITINA by Dr. Chen, who successfully applied amino acids into beauty care products (E.P.O. series).
- **1997**: Joanna Chen, Chairwoman of CHLITINA, headed the brand into the China market. With successful marketing tactics backed by strong products, CHLITINA entered a period of high growths for years to come.
- **1999**: Opening of CHLITINA'S first salon flagship store in Shanghai.
- **2001-2003**: Opening of CHLITINA's training center and factory.
- **2008**: Setup of joint R&D program center in Paris with French partner.

Core value – High quality products & services

Professional Training Center in Shanghai (SSIZ)



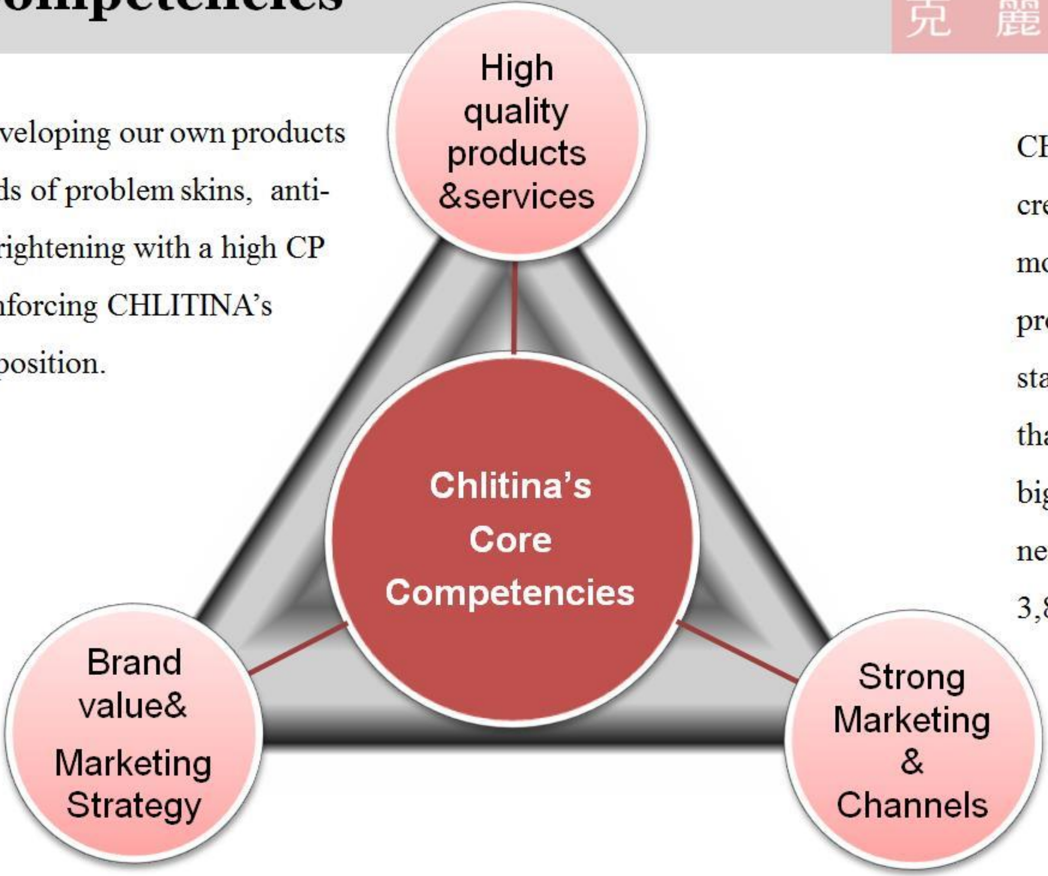

Selected Chlitina Brand Highlights

- **2012**: Awarded "Franchise 50" for fast growing franchises in China by U.S. media Entrepreneur Group. Awarded "Asia's Most Valuable Brand" in Asia Brand Annual Meeting.
- **2013**: Chlitina went IPO in Taiwan (stock ticker: 4137 TT).
- **2015**: Awarded "20 Best Taiwan Global Brands" by Interbrand.
- **2016**: Awarded "20 Best Taiwan Global Brands" by Interbrand. Sole Skincare Sponsor of 2016 Shanghai International Film & TV Festival. Chairwoman nominated as China's Medical Beauty Industry Association (MBIA) Branch President.
- 2017: Again chosen as skin care sponsor of Shanghai International Film & TV Festival as well as representative of industry in Germany's B20 summit.

Core Competencies

Three Core Competencies

We are developing our own products in the fields of problem skins, anti-age and brightening with a high CP value, reinforcing CHLITINA's high-end position.



CHLITINA's light-asset, no credit franchise network model and its ability to provide high-level standardized training explain that it has developed into the biggest beauty salon franchise network in Asia with over 3,800 stores.

Collaboration with the art world has enhanced brand recognition and brand positioning, bringing marketing benefits to store owners.

Core competency 1: High quality products &services

CHLITINA 克麗緹娜

CHLITINA controls R&D as well as manufacturing to ensure a stable supply of high-quality products.

Classic Gift Box

Classic Care
Platinum gift box

Brightening vegetable&fruit drink

Illuminating Hydra
Orange Blossom Water

VFace Advanced Lifting
Series

Core competency 2: Brand value and marketing strategy

CHLITINA 克 麗 緹 娜 20 YEARS

B → B → C

Salons:
Good products, precise skin care

Group testing activities and events organized by CHLITINA help franchisees expand their customer base

End-user: branding

Q1 Brand : Brave Women Love Tribute

Q2 Cinema: Beauty Bloom Season

Q3 Make-up: Brave Women Love

Q4 Brand ambassador: Ma Yili

Holding a CHLITINA gift box, Luo Zijun envies her daughter's beautiful skin and is thinking about going to a beauty salon.

Stills from TV series «The First Half of My Life» starring Ma Yili

After a hard day's work, Luo Zijun dreams of getting a spa treatment.

Core competency 2: Brand value and marketing strategy (cont.)

东方卫视：最高收视率3.012，52城收视全国第 1 名

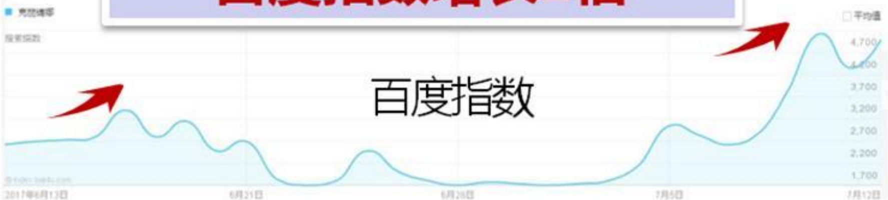
BTV北京：最高收视率2.002，52城收视全国第 2 名

爱奇艺 腾讯视频 YOUKU

首轮播放量破百亿

微信指数增长9倍

百度指数增长2倍



Core competency 2: Brand value and marketing strategy (cont.)

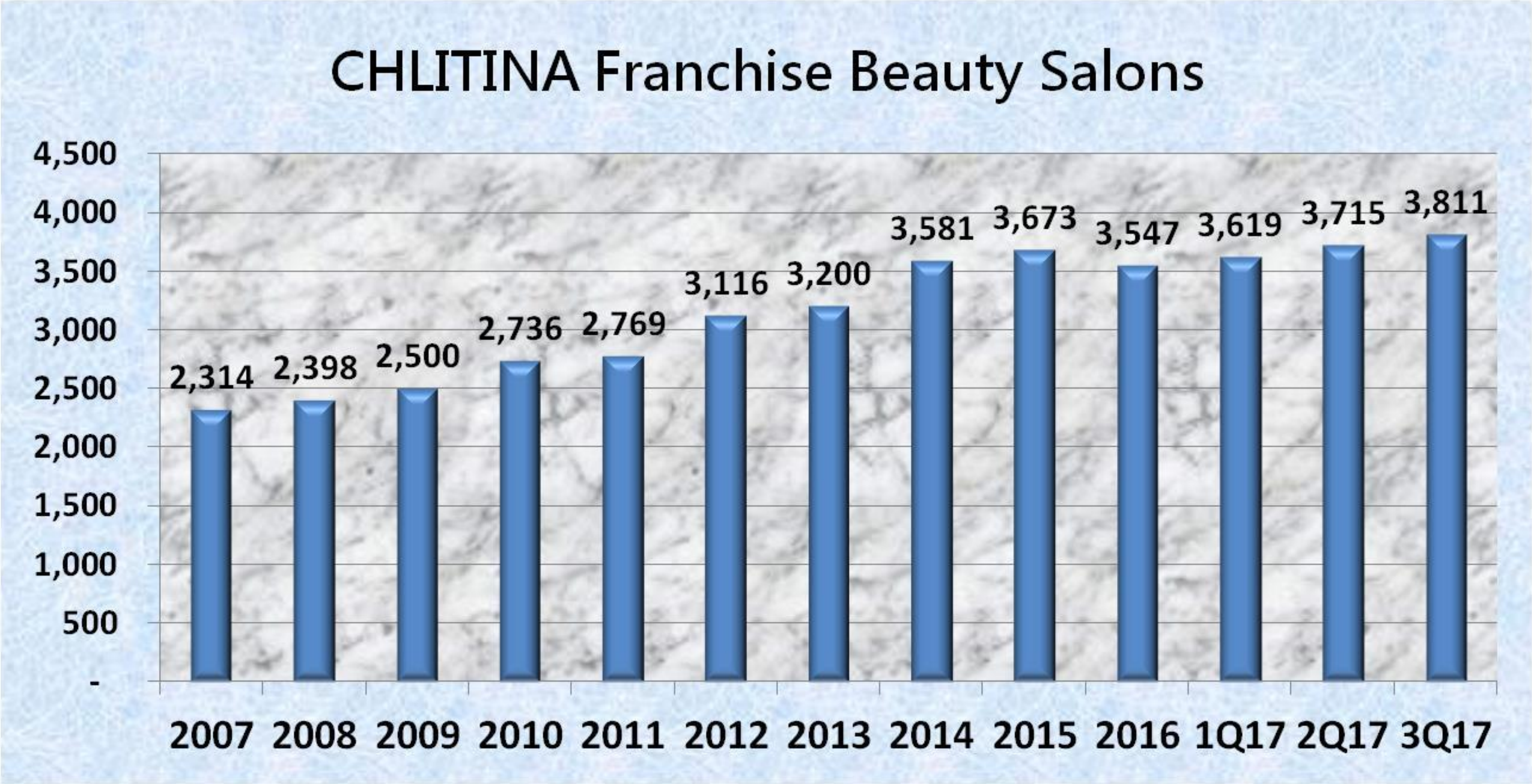
CHLITINA 克麗緹娜 20 立足腾飞二十年 YEARS

	1	2	3	4	5	6	7	8	9	10	11	12
20周年形象	20周年特别设计（icon、海报）											
1.广告主题	女人勇敢爱 内炼·蜕变·重生 焕更美姿态											
2.广告投放	Q1品牌季勇敢女人致敬			Q2电影季美丽绽映季			Q3美妆季智美女人勇爱					
剧集植入	湖北卫视15秒广告			《我的前半生》剧植入								
上海机场	虹桥机场到达大牌			虹桥机场到达32块连幅大牌			虹桥机场到达灯箱广告					
3.品牌事件 电影节				线上线下 女人勇敢爱 向世界绽映焕美姿态								
PR事件	品牌盛典 新形象、新品									【阅…课…】		
4.档期活动 核心产品	“精准护肤”									渠道 产品		
档期产品	晶钻光透 新品上市			晶钻.20年.中样set 精准护肤高端疗程			四大金刚中样 精准护肤高端疗程			四…金刚…草		
主题促销	周年庆拓客 线上线下			你就是巨星 电影节疗程\子君推荐线上线下			你就是巨星绽映世界 电影节疗程\子君同款线上线			感恩季拓客 线上线下		
5.口碑	KOL分享 搜索优化SEO											

品牌代言人
马伊琍

疗程护理
蒸植乳盈亮

Core competency 3: Strong Marketing & Channels



Source: Chlitina

Core competency 3: Strong Marketing & Channels (cont.)

Over 3,800 franchise beauty salons in Greater China, #1 in China

Source: Chlitina

CHLITINA franchise stores' longevity vs sales

unit: 1,000 RMB

CHLITINA franchise stores	<1 year	1-3 years	3-5 years	5-10 years	>10 years	total
Proportion of total number (end of Sept.)	19%	24%	19%	22%	16%	100%
Jan.to Sept. 2017 proportion of sales	19%	22%	20%	22%	17%	100%
Average sales per store	129	118	130	131	135	128

- **Health of Chlitina's Franchise Network**: We think franchise longevity is a good indicator on the overall health of Chlitina's franchise network. Unprofitable franchises largely exit within 1-2 year, and we have been seeing a trend of % of franchises operating longer & longer.
- **South-bond expansion strategy:** the CHLITINA franchise is now expanding into South East Asia from Taiwan. We expect this strategy to add momentum to the brand within 3 to 5 years.

Industry Framework & Corporate Focus

CHLITINA
克麗緹娜

Industry Framework

CHLITINA 克麗緹娜 | 20 YEARS

Size of China Skincare Market (95% of Chlitina's sales):

According to Euromonitor, China's skincare market sized to around RMB 170 bn (or US$25 bn) in 2016.

China Beauty & Personal Care Product Sales (2016)

By Application Categories	RMB m	%
Skincare	169,139	47%
Hair Care	49,455	14%
Oral Care	31,912	9%
Color Cosmetics	28,314	8%
Bath & Shower	21,107	6%
Combo Set	17,707	5%
Baby & Child Care	15,103	4%
Men's Care	12,446	3%
Sun Care	5,535	2%
Fragrances	5,367	2%
Deodorants	711	0%
Depilatories / Hair Removal	474	0%
Total: (Include double-counting)	357,269	100%
Total: (Net - Euromonitor)	333,726	
Total - % Double-Counted		7%

Note 1: Red lined categories are seeing slower growths and contracting in % total

Note 2: Blue lined categories are seeing higher growths and increasing in % total

Note 3: Black lined categories are growing inline with industry and stable in % total

Others: Euromonitor acknowledges double counting in its research

Source: Euromonitor, Chlitina

Industry Framework (cont.)

CHLITINA 克麗緹娜 20 YEARS

Industry demand growth outlook in China: Corp salary grows 6-10% per year, similar to GDP growth. According to Euromonitor, consumer spending growths on cosmetics (beauty & personal care) generally outpace that of GDP growth. Segment-wise, higher-end / price brands generally grow even faster than lower-end / price brands.

Source: Chlitina & The Statistics Portal, China

Corporate Focus & Strategies

Business Expansion Strategies:

1) Broaden product portfolio to address a larger market and attract new franchises:

New Body Therapy Session Series in 2018F: At the moment, customers who wants to do Body mostly seek a Body shop. Our goal is to capture a pool of these customers as they come to do Face with Chlitina, which can raise our sales per customer visit & SSS.

Existing Products

Body Categories

	Body Soothing	Whitening	Moisturizing	Firming	Breast Care	Slimming	Intimate Care
2017	Yes		Yes		Yes		
2018F	Target	Target	Target	Target	Target	Target	Target

Source: Chlitina

Corporate Focus & Strategies (cont.)

CHLITINA 克麗緹娜 20 YEARS

2) Geographic Expansions into Developing Areas in China

Source: Chlitina

- Faster disposable income & consumer spending growths in Developing Areas.
- Rising emphasis on beauty as disposable income rises.

Developed Areas

Our Coverage: Shanghai, Beijing, Guangdong, Ningbo, Jiangsu…

Main Objective: Raise SSS via new product categories

Well-off Areas

Our Coverage: Fujian, Jiangxi, Henan, Shandong, Liaoning, Guangxi…

Main Objective: Raise market share

Developing Areas

Our Coverage: Heilongjiang, Guizhou, Jilin…

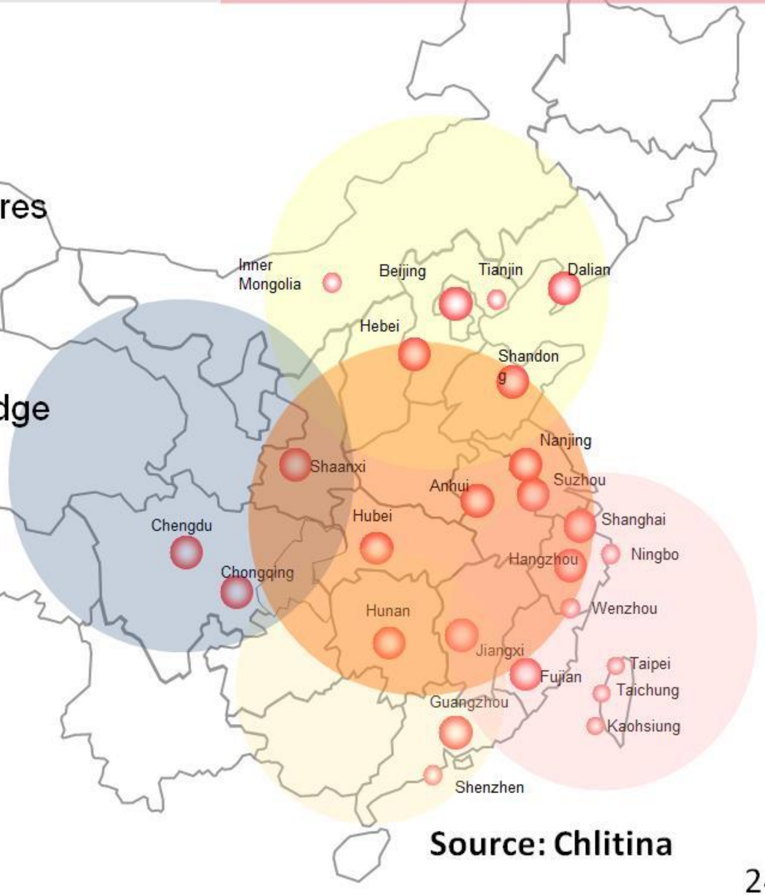
Main Objective: Brand awareness & attract new franchises

Geographic distribution	Developed Areas	Well-off Areas	Developing Areas	Others (Taiwan, Hong Kong)	Total
% of total (Sept.)	48%	41%	4%	7%	100%
Jan. to Sept. 2017 % of sales	52%	40%	3%	5%	100%
Average SSS	137	125	114	91	128

Corporate Focus & Strategies (cont.)

Franchise Management on a Closer Look

- 25 Branch Offices for:
  - Timely advice & supervision for existing franchise stores
  - Strategies for business development and expansion
  - Storefront management courses for new franchises
  - Local training in skincare practices & product knowledge
- Main Training Center in Shanghai (SSIZ):
  - Can accommodate 2,000 trainees
  - Staffed by highly-qualified teaching personnel
  - 10 categories of professional training classes for beauticians and franchise owners / managers



Source: Chlitina

Corporate Focus & Strategies (cont.)

4) **Future Development Schemes on a 5-Year Roadmap**:

- **South-bond expansion strategy:** Making good use of language and culture resources from Taiwan company, we will bring the franchise to selected markets in South East Asia and reap the benefits of this strategy within 3 to 5 years.
- **Medical Beauty Clinics**: Chlitina is investing into China beauty clinics industry. This represents a new distribution channel but also is an opportunity for Chlitina to offer more medical-based / biotech products in the future. Given medical clinic operating license quotas in China, Chlitina will proceed via M&A strategy.
- **Medical-based / biotech product offerings and R&D**: Concurrently, Chlitina will look for opportunities to invest into product technologies. Our strategic alliance with China's Tongji University on regenerative medicine also serves as a key foundation for our future developments in this area.

Financial overview & expectations

CHLITINA
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Financial overview

CHLITINA 克麗緹娜 20 YEARS

CONDENSED INCOME STATEMENT

Unit:1000,except EPS

	2015		2016		2017Q1	
	RMB	NT$	RMB	NT$	RMB	NT$
Operating revenue	873,056	4,394,264	693,977	3,360,584	503,521	2,261,516
Operating costs	209,753	1,055,728	136,764	662,280	95,663	429,661
Gross profit	663,303	3,338,536	557,213	2,698,304	407,858	1,831,855
Gross profit rate	76%		80%		81%	
Selling exp.	273,573	1,376,950	252,137	1,220,974	203,533	914,148
Admin exp.	117,302	590,403	97,818	473,683	77,787	349,373
Operating profit	272,428	1,371,183	207,258	1,003,647	126,538	568,334
Total non-operating	14,000	70,466	4,424	21,419	1,591	7,144
Profit before tax	286,428	1,441,649	211,682	1,025,066	128,129	575,478
Income tax exp.	54,550	274,562	60,770	294,276	38,521	173,013
Profit for the period	231,878	1,167,087	150,912	730,790	89,608	402,465
EPS	2.92	14.68	1.90	9.19	1.14	5.11
Cash dividend (yearly)	NT$10 per share		NT$6.5 per share		-	

Financial overview (cont.)

CHLITINA 克麗緹娜 20 YEARS

CONDENSED BALANCE SHEETS

Unit:1000

項目	2015		2016		2017第三季	
	NT$	%	NT$	%	NT$	%
Cash and cash equivalents	3,396,435	57%	3,547,841	63%	3,100,219	61%
Accounts receivable, net	666,088	11%	11,141	0%	3,532	0%
Inventories	436,778	7%	461,280	8%	502,057	10%
Investment(Equity method)	79,191	1%	178,041	3%	26,751	1%
Property, plant and equipment, net	1,066,537	18%	975,309	17%	940,323	18%
Others assets	329,824	6%	436,338	8%	531,571	10%
Total assets	**5,974,853**	**100%**	**5,609,950**	**100%**	**5,104,453**	**100%**
Accounts payable	168,381	8%	77,593	4%	77,500	4%
Bonds payable	851,781	42%	886,125	43%	913,235	51%
Other payables	134,940	7%	121,257	6%	282,308	16%
Other liabilities	873,022	43%	965,153	47%	534,142	30%
Total liabilities	**2,028,124**	**100%**	**2,050,128**	**100%**	**1,807,185**	**100%**
Common capital	794,924	20%	794,924	22%	794,924	24%
Capital surplus & legal reserve	1,634,889	41%	1,751,598	49%	1,824,677	55%
Unappropriated retained earnings	1,419,680	36%	1,238,313	35%	1,056,179	32%
Other equities	97,236	2%	(225,013)	-6%	(378,512)	-11%
Total equity	**3,946,729**	**100%**	**3,559,822**	**100%**	**3,297,268**	**100%**

Financial overview (cont.)

CHLITINA 克麗緹娜 20 YEARS

PROFIT BREAKDOWN BY SEGMENT

RMB Unit: 1,000

Channels	2015			2016			2017Q1-Q3		
	Rev.	Costs	GP%	Rev.	Costs	GP%	Rev.	Costs	GP%
Beauty Salon Franchise	596,057	107,174	82%	575,122	97,453	83%	487,648	89,338	82%
e-commerce, beauty clinic	25,820	4,811	81%	28,692	6,486	77%	12,670	3,591	72%
Licensing	130,072	-	100%	48,124	-	100%	-	-	N/A
ODM	121,107	97,768	19%	42,039	32,825	22%	3,203	2,734	15%
Total	873,056	209,753	76%	693,977	136,764	80%	503,521	95,663	81%

Financial overview (cont.)

CHLITINA 克麗緹娜 | 20 YEARS

CONDENSED STATEMENT OF CASH FLOWS

Unit: $1,000

	2015		2016		2017Q1-Q3	
	RMB	NT$	RMB	NT$	RMB	NT$
Net cash provided by operating activities	107,784	549,758	307,956	1,473,962	45,426	204,064
Netcash provided(used in) by investing activities	24,214	121,223	(61,453)	(292,503)	1,107	2,526
-Capital expenditures	(7,337)	(36,648)	(13,691)	(63,179)	(9,085)	(40,804)
-others	31,551	157,871	(47,762)	(229,324)	10,192	43,330
Net cash used in financing activities	58,944	333,482	(173,260)	(838,131)	(131,474)	(584,876)
-Dividend distribution	(115,517)	(556,446)	(163,902)	(794,924)	(114,383)	(511,520)
-others	174,461	889,928	(9,358)	(43,207)	(17,091)	(73,356)

Target and expectations

CHLITINA 克 麗 緹 娜

2017 target:

- Store count target of 3,800 stores by the end of 2017 was reached end of September!
- Beauty salon franchise channel sales for January to October amount to RMB 556m, up 19% YoY， showing benefits of last year's store adjustment policy
- January to October consolidated sales amount to RMB573m, more or less equaling last year's amount for the same period!
- Reorganisation and reallocation of company resources: 1)expanding product portfolio; 2)expanding network; 3)opening new channels; 4) medical beauty layout.

Target and expectations (cont.)

CHLITINA 克麗緹娜 20 YEARS

Expectations for 2018:

- ◆ Provided that the RMB exchange rate remains stable, we intend to continue with our current strategy and expect profits to show double-digit growth!
- ◆ New product ranges to be launched in 2018 will enhance profitability and market share.
- ◆ The medical beauty sector and our south-bond expansion show great promise.

CHLITINA
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20 YEARS 立足騰飞二十年

第二十屆上海國際電影節唯一指定護膚品牌

Q&A

THANK YOU!