

Stock Symbol: 2905
-----------------------

# 2015 Annual Report

## **MERCURIES & ASSOCIATES, HOLDING LTD.**

(originally MERCURIES & ASSOCIATES, LTD)

Address: No. 145, Section 2, Jianguo North Road, Taipei City

Telephone: (02) 2503-1111 (representative)

Website and link for perusing this Annual Report:

Taiwan Stock Exchange (TWSE) Market Observation Post System  
(MOPS):<http://mops.twse.com.tw>

Official website of this Company:<http://www.mercuries.com.tw>

Date of publication: May 15, 2016

### **Spokesperson of this Company**

Name: Johnson Wang  
Title: Vice President  
Telephone: (02) 2503-1111  
Email: johnson@mercuries.com.tw

### **Agent Spokesperson**

Name: TK Chin  
Title: Vice President of Accounting  
Telephone: (02) 2503-1111  
Email: tk.chin@mercuries.com.tw

### **Stock transfer agent**

Department of Stock Affairs and  
Transfer, Horizon Securities Corp.  
Address: 3F, No. 236, Section 4, Xinyi  
Road, Taipei City  
Telephone: (02) 7719-8899  
Website: <http://www.honse.com.tw>

### **CPA**

Name(s): Ke-yi Liu, Kun-hsi Hsu  
Name of accounting firm: BDO Taiwan  
Address: 10F, No. 72, Section 2,  
Nanjing East Road, Taipei City  
Telephone: (02) 2564-3000  
Website: <http://www.bdo.com.tw>

### **Address and telephone of the Company Headquarters**

#### **Headquarters**

Address: No. 145, Section 2, Jianguo North  
Road, Taipei City  
Telephone: (02) 2503-1111  
FAX: (02) 2503-6396

#### **Addresses and telephone numbers of departments, business areas, and warehouses that have been split off to MERCURIES & ASSOCIATES, LTD.**

##### **Simple Mart Stores BU**

Address: 9F, No. 145, Section 2, Jianguo  
North Road, Taipei City  
Telephone: (02) 2503-1111  
FAX: (02) 2502-6393

Taichung Distribution Center  
Address: No. 43, Gongyequ 21st Road,  
Taichung City  
Telephone: (04) 2359-2155  
FAX: (04) 2359-2157

##### **Family Shoes BU**

Address: 10F, No. 145, Section 2, Jianguo  
North Road, Taipei City  
Telephone: (02) 2503-1111

Kaohsiung Distribution Center  
Address: No. 95-11, Gangshan  
Township, Alian District, Kaohsiung  
City  
Telephone: (07) 632-0033  
FAX: (07) 631-2636

##### **Catering BU**

Central Kitchen  
Address: No. 9, Gong 1st Road, Expanded  
Industrial Zone, Dayuan District, Taoyuan  
City  
Telephone: (03) 386-2470  
FAX: (03) 386-0465

Overseas listing of marketable  
securities: None

Company website:  
<http://www.mercuries.com.tw>

# Table of Contents

I.	Letter to Shareholders.....	01
II.	Company Introduction.....	06
	1. Date of Founding .....	06
	2. Company History .....	06
III.	Corporate Governance Report .....	09
	1. Organization.....	09
	2. Board of Directors, Supervisors, General Manager, Vice Presidents, and Directors of various Departments and Subsidiary Agencies .....	11
	3. Remuneration paid out to Directors, Supervisors, the General Manager ,and Vice Presidents .....	18
	4. Implementation of Corporate Governance .....	23
	5. Information on the CPA's professional charge .....	45
	6. Replacement of Accountants.....	46
	7. Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise .....	46
	8. Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report.....	47
	9. 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 as prescribed by Statements of Auditing Standards No. 6 .....	48
	10. Number of shares held and combined percentage of stake of investment in other companies by the company, the company's director, supervisor , managerial officer, or an entity directly or indirectly controlled by the company .....	49
IV.	Financing .....	50
	1. Capital and shares .....	50
	2. Corporate bond .....	57
	3. Preferred shares .....	57
	4. Overseas depositary receipt.....	57

5.	Employee stock options .....	57
6.	Restricted employee shares .....	58
7.	Issuance of new shares in connection with the merger or acquisition of other companies .....	60
8.	Implementation of capital application plan.....	60
V.	Operation summary .....	61
1.	Business content.....	61
2.	Market, production, and sales .....	76
3.	Information of employees for the 2 most recent years.....	91
4.	Environmental protection expenditures .....	92
5.	Labor relations .....	94
6.	Important contracts .....	95
VI.	Financial Information .....	96
1.	Five-Year Financial Summary .....	96
2.	Five-Year Financial Analysis.....	104
3.	Supervisors' Report for the Most Recent Year .....	110
4.	Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report .....	111
5.	Individual Financial Statements for the Years Ended December 31,2015 and 2014, and Independent Auditors Report .....	111
6.	Any financial difficulties experienced by the company and its affiliated businesses as well as the impact of the said difficulties on the financial condition of this company .....	111
VII.	Review, analysis, and risks of financial conditions and performance .....	112
1.	Financial position.....	112
2.	Financial performance.....	112
3.	Analysis of Cash flow.....	113
4.	Major Capital Expenditure Items .....	114
5.	Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year.....	114
6.	Risk analysis and assessment.....	115
7.	Other important issues.....	132
VIII.	Special Disclosure .....	133
1.	Affiliated businesses.....	133
2.	Private placement securities of the most recent year up to the publication date of this report.....	146

3.	The Shares in the Company Held or Disposed of by Subsidiaries of the most recent year up to the publication date of this report .....	146
4.	Other items that must be included.....	147
IX.	Any event which has a material impact on the shareholders' equity or securities prices as prescribed by Article 36, Paragraph 2, Subparagraph 2 of the <i>Securities and Exchange Act</i> that have occurred in the most recent year up to the publication date of this report .....	148

## I. Letter to Shareholders

The Corporation formally transformed to an investment holding company and changed its name to *MERCURIES & ASSOCIATES, HOLDING LTD* on January 1, 2015. Major investments include retail sales of daily commodities, retail sales of food, life insurance, pharmaceuticals, and other industries. We will focus on vertical integration as well as business diversification strategies to expand the Corporation's future operations and support resource integration of our subsidiaries with the hope of achieving the required economic scale and continuing improvements to business performance.

### 1. 2015 Business Report

#### (1) Results of business plan implementation

To make proper use of the existing exchange framework of the Corporation, we shall continue to initiate joint ventures or strategic alliances with our partners in Taiwan or other countries. In addition to expanding the coverage of our franchise and chains, we also reviewed opportunities for new investment plans in detail, using focus operations and integration of the Corporation's local and overseas resources to expand the scope of our businesses and improve operational performance. The following lists the results of major investments and business plans implemented for this year:

##### 1. Retail of daily commodities and food

Local business growth has slowed down somewhat as the market becomes more and more saturated. In fact, several markets even shrunk in size. In order to promote profitability, we have moved several stores to follow changes in various commercial districts while continuing our policy of closing under-performing storefronts. We also made adjustments to commodity composition to cater to shifts in consumer preferences with the hope of improving business revenue and profitability. Average revenue and profitability for this year has increased compared to last year (2014). The number of storefronts also grew over the same period as well.

##### 2. Life insurance

Since becoming a listed company in December 18, 2012, Mercuries Life Insurance has continued to achieve increased revenue and profitability, and actively sought opportunities for market expansion and overseas development. Average revenue and profitability have both increased during this year compared to last year (2014).

##### 3. Pharmaceuticals

For our biotechnological sector, the removal of the bottleneck effect for the production of active pharmaceutical ingredients (API) improved business performance of SCI Pharmtech Inc., with average revenue and profitability both increasing during this year compared to the last (2014).

#### 4. Others

Mercuries Data Systems Ltd. (MDS) strengthened risk control and cost reduction measures and continued its commitments to improving software development capacities and product development. Average revenue and profitability both increased during this year compared to the last (2014). In 2015, profitability for Mercuries Furniture Co., Ltd. dropped slightly as it was affected by the overall economy. In order to diversify business operations, Mercuries Furniture claimed exclusive agency for Estel Italian design furniture to extend its product catalog and provide added value.

#### (2) Analysis of budget implementation, financial income, expenditure, and profitability

Consolidated business revenue in 2015 amounted to NT\$ 192.968 billion, a 3.32% increase compared to NT\$ 186.759 billion of 2014. Budget achievement rate was about 99%. As for profitability, figures of this Corporation's consolidated business report showed a net income after taxes (NIAT) of NT\$ 3.133 billion after tax, net profit rate of 1.62%, earnings per share (EPS) after taxes of NT\$ 2.30, return on assets (ROA) of 0.39%, and return on shareholders' equity of 11.09%.

#### (3) Research & development

Intense competition in the daily commodities and food retail industries as well as rapidly changing business environments and consumer requirements meant that the Corporation had to make continuous changes to marketing strategies in response to market demands and trends and come up with different sales campaigns for different regions and lifestyles. Additionally, we have initiated improvements to existing product lines and continued to implement product development and innovation.

The insurance BU of the Corporation has continued to expand and establish new locations in Taiwan and overseas. Customer-oriented approaches were adopted to promote long-term insurance products to restore the original intent and nature of insurance products. The pharmaceutical BU of the Corporation continued to invest in new product development and process improvements for existing products. Patents for production processes as well as R&D grants from the Ministry of Economic Affairs (MOEA) were applied for to continue R&D plans, cater to customer demands, and maintain a high degree of competitiveness.

### 2. A summary of the 2016 business plan

#### (1) Operational guidelines

After undergoing business transformation and assuming the structure of an investment holding company, the Corporation employed focus operations and integrated local and overseas resources in order to reduce operational costs and improve competitiveness. In order to integrate our strategic positioning, expand

the scope of our business operations, and improve business value, the Corporation employed operational experiences gained in various BU, extended business coverage to include local and overseas partners, and carefully reviewed various investment strategies.

(2) Important production and sales policies

1. Improve products and services to improve product sales

(1) Various BU continued to improve market positioning in their own sectors, focusing on customer requirements to initiate product improvements, achieve market segregation, enhance brand identity, and attain better product sales.

(2) We improved upon the professionalism and affinity of our service staff to create quality shopping environments, improve customer satisfaction, enhance customer retention, and establish a loyal source of customers.

(3) We continued to build partnerships with other industries and make full use of advertising in order to expand our customer base and revenue.

2. Clever use of IT to reduce operational costs

Our IT systems were continuously improved upon in order to streamline process operations, enhance sales data analysis, adjust commodity composition, improve inventory turnover rate, reduce operational costs, and to reduce losses due to inventory depreciation or dead stock.

3. Closing under-performing operations while strengthening development of market channels

Businesses would be reviewed for closure or undergo sales point health improvements after experiencing constant losses or if the commercial district has moved elsewhere. In addition to commodity adjustments and marketing for new, existing businesses, operational management and personnel training efforts were improved to ensure smooth operations and profitability after rapid business expansion, while performance assessments were strongly required before any expansion.

4. Maximization of cost-effectiveness

High costs of power and commodities meant that additional sources of revenue and savings have to be identified. The benefits provided by labor and various expenditures must be maximized to the greatest extent possible.

5. Investment diversification

Diversified investments would help distribute risks and ensure stable profitability. The Corporation has continued to invest in different markets and expanded the overseas market.



### 3. External competition environment and general business environment

Global economic performance failed to meet expectations in 2015 due to reduction in global oil and commodity prices, slowed global trade, as well as lack of growth in emerging and developing countries. Economic restructuring and reduction of excess capacity undertaken by Mainland China led to a record low in the country's economic growth rate as well. The US currency has now switched to a deflation policy, while Japan, the EU, and Mainland China maintained quantitative easing (QE) measures. Divergent policies of these major central banks have further disrupted the financial market. Taiwan's economy was also affected by poor global economic performance. Export demands in Taiwan remained weak while industrial production capacity continued to shrink. Unemployment rate, however, dropped slightly and seemed to be unaffected by the poor economy. Statistics from the Directorate-General of Budget, Accounting and Statistics (DGBAS) of the Executive Yuan on February 17, 2016, showed that economic growth of Taiwan was 0.75% in 2015, a figure that fell short of expectations.

Given the recent instability of the stock market and falling gas prices, the year of 2016 would be characterized by increased risk of uncertainties in the global economy. The National Development Council (NDC) pointed out in its February 4, 2016 report that global economic performance would be better than the previous year as developed countries show signs of stable recovery. However, there are still signs that global economic growth would remain slow. The International Monetary Foundation (IMF) pointed out in the World Economic Outlook (WEO) report of January 19, 2016 that recovery of the global economy may be hindered by slowing economic growth of emerging markets, continued restructuring of China's economy, fall in bulk commodity prices, and reversal of QE policies of the US currency. Statistics from the DGBAS of the Executive Yuan on February 17, 2016, predicted a 1.47% economic growth in Taiwan for 2016. Although consolidated revenue of our Corporation increased by 3.68% from last year to February 2016, there were still uncertainties in global economic performance which led to increased risks of investments and a more competitive overseas environment. Despite this, our management and fellow employees remain committed to their work. We streamlined various expenditures, integrated various resources, and invested in innovation with the hope of improving business performance and enhancing the quality of our services in order to reduce the negative influences of the market.

### 4. Future development strategies

Major business units under our Corporation had undergone over 30 years of development. In the face of an increasingly saturated market and business competition, innovative approaches were recently initiated in order to achieve stable corporate growth. Business know-how in various franchise chains under MERCURIES & ASSOCIATES, LTD. were supplemented by the deployment of professional business management teams. Young, trendy, and innovative elements were also introduced to

assess and identify trends in health and recreational markets, expand market segments, and generate consumer requirements, transforming MERCURIES & ASSOCIATES, HOLDING LTD into a diversified and intensified business. While providing services that satisfy the people's need for food, clothing, residences, education, and entertainment, the Corporation also hope to create enjoyable and affordable shopping experiences for the general public while improving the values of our brands. We also continued business diversification strategies with the aim of reducing business risks while fully assessing changes to both the internal and external environments to generate new opportunities for growth.

We shall continue to integrate internal resources and organizational adjustments, carefully review investment strategies, and maximize combined business performance in the future to maximize profitability and shareholders' interests while fulfilling the corporate social responsibilities (CSR). We hope that every shareholder will continue to bless us with love and support.

Director:



Manager:



Accounting:



## II. Company Introduction

1. Date of Founding: February 19, 1965

### 2. Company History

1965	Company founded with a capital sum of NT\$ 500,000. The primary business was the export of hand-made goods.
1975	Domestic BU established, distributing mail order catalogs for mail order businesses.
1976	Established the first 5 Mercuries Department Stores of the Mercuries franchise. Increased capital sum to NT\$ 32 million.
1977	Established the Mercuries Feimous Ltd..
1980	Mercuries Feimous Ltd. was renamed as Mercuries Data Systems Ltd.
1982	Established the catering service BU with Chinese food service franchises. Established a bonded warehouse and increased capital sum to NT\$ 150 million.
1983	Mercuries Fastfood Restaurant established by the Catering BU.
1984	Mercuries Fastfood Restaurant renamed to 七七 Chiao-Fu.
1985	Constructed a warehouse at Nankan for delivering goods to Mercuries department stores within the country.
1986	Director-based corporate management restructured to a president-based system. Capital sum increased to NT\$ 401 million. 七七 Chiao-Fu of the Catering BU renamed to Mercuries Food Chain.
1987	Mercuries Tower opened for service. The 1st Mercuries Taiwan Masters Invitational Golf Tournament. Capital sum increased to NT\$ 501.25 million. Established the Technology BU to serve as a distributor of electronic parts.
1988	Mercuries & Associates, Ltd. became a listed company. Capital sum increased to NT\$ 802 million.
1989	Mercuries Food Chain established a central kitchen at Dayuan to provide standardized and quality food production to storefronts across Taiwan. Established the Mercuries Tigers baseball team as well as the Library of Chinese Dietary Culture. Capital sum increased to NT\$ 1002.50 million.
1990	Established the Food Division to serve as a sales agent in Taiwan for Kirin Beer of Japan. Capital sum increased to NT\$ 1303.25 million. Implemented the 5-day workweek system.
1991	Issued convertible corporate bonds worth a total of NT\$ 600 million. Capital sum increased to NT\$ 1433.57 million. Established the Family Shoes limited company to manage shoes retailing. Completion of the Chiayi business tower.
1992	Completion of the Luodong and Hualien business towers. Capital sum increased to NT\$ 1785.63 million.

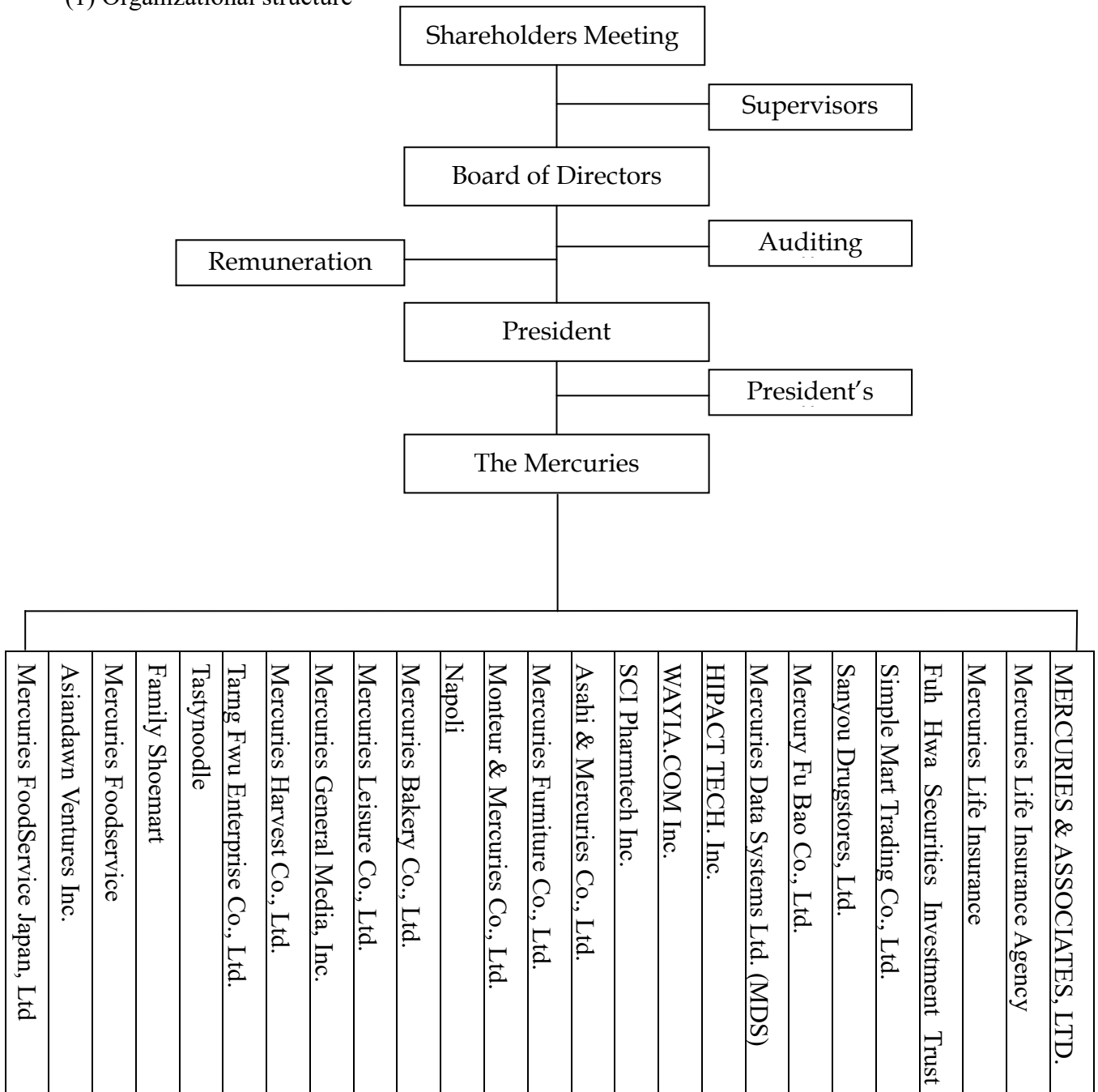
1994	Established the Mercuries Life Insurance Co., Ltd.; a total of 100 Mercuries Food Chain storefronts were established. Business revenue of Mercuries & Associates, Ltd. exceeded NT\$ 10 billion.
1995	Technology BU split off to become an independent entity. Joint venture with Avnet (a US company) to establish the Avnet-Mercuries Co., Ltd. to include the high tech sector within the business scope of the corporation.
1996	Joint issuance of loyalty card by Mercuries Department Store and CTBC Bank.
1997	Recapitalization of capital reserve and retained earnings of NT\$ 81.81 million and NT\$ 259.05 million respectively. Capital sum increased to NT\$ 3749.45 million.
1998	Recapitalization of retained earnings of NT\$ 374.95 million. Capital sum increased to NT\$ 4124.40 million. Conversion of the Nankan Warehouse of the Department Store to an automated warehouse and logistics center completed. The converted center became operational for service.
1999	Recapitalization of retained earnings of NT\$ 206.22 million. Capital sum increased to NT\$ 4330.62 million. US\$ 4.8 million investment in Shanghai Mercuries Food Chain approved by the Ministry of Economic Affairs (MOEA). Mercuries Food Chain established a new distribution center at Taichung Industrial Park.
2000	Recapitalization of retained earnings of NT\$ 433.06 million. Capital sum increased to NT\$ 4763.68 million. Securities & Futures Bureau approved the 1st issuance of secured corporate bond worth a total of NT\$ 800 million. Listing of the Mercuries Data Systems Ltd. (MDS).
2001	Invested NT\$ 294.52 million in SCI Pharmtech Inc. Joint venture with the UK company of MFI to establish the Mercuries Furniture Co., Ltd. furniture retailer franchise. MERCURIES & ASSOCIATES, LTD extinguished treasury stocks and reduced capital by NT\$ 115.76 million.
2002	Merger and consolidation with Family Shoes limited company.
2003	Recapitalization of retained earnings of NT\$ 718.38 million. Capital sum increased to NT\$ 5507.58 million. MERCURIES & ASSOCIATES, LTD extinguished treasury stocks and reduced capital by NT\$ 200 million.
2004	Listing of SCI Pharmtech Inc. Recapitalization of retained earnings of NT\$ 106.15 million. Capital sum increased to NT\$ 5413.73 million. President He-tung Chen passed away. HL Chen succeeded him as the next President.
2006	Proprietary brand of TonKaTsu established, a franchise chain serving Japanese-style fried pork chop. Established the En Route casual footwear retailer franchise. Invested in Mercuries Simple Mart International Ltd. and established the Simple Mart retailer franchise.

2007	Invested in Mercuries Bakery Co., Ltd. as the agent for the American brand of Dunkin' Donuts as well as a retailer franchise for American snacks.
2008	The subsidiary of Mercuries Bakery became the official agent for the American brand of Dunkin' Donuts in Shanghai, Mainland China. Recapitalization of retained earnings of NT\$ 264.92 million. Capital sum increased to NT\$ 5678.65 million. Joint venture with the Japanese company of Asahi Breweries, Ltd. to establish Asahi & Mercuries Co., Ltd. Extinguished treasury stocks and reduced capital sum by NT\$ 198.91 million. Capital sum reduced to NT\$ 5479.74 million.
2010	Recapitalization of retained earnings of NT\$ 269.99 million. Capital sum increased to NT\$ 5749.73 million. Invested in Mercuries Life Insurance. Shares held increased from 27.5% at the beginning to 55.4%.
2011	Merger with wholly (100%) owned subsidiary Mercuries Simple Mart International Ltd.. Recapitalization of retained earnings of NT\$ 340.19 million. Extinguished treasury stocks worth NT\$ 25.18 million. Capital sum increased to NT\$ 6064.74 million.
2012	Joint venture with the Japanese company of Sumitomo Corporation to establish Sanyou Drustores, Ltd.. Recapitalization of capital reserve of NT\$ 242.59 million. Capital sum increased to NT\$ 6307.33 million.
2013	Joint venture with the Japanese company of Monteur Holdings Co., Ltd. to establish Monteur & Mercuries Co., Ltd.. Recapitalization of retained earnings of NT\$ 504.59 million. Issued restricted employee shares worth NT\$ 1.91 million. Capital sum increased to NT\$ 6813.83 million.
2014	Mercuries FoodService Japan, Ltd. established in Japan. New restricted employee stocks worth NT\$ 140,000 canceled. Paid-in capital reduced to NT\$ 6813.69 million.
2015	Transformed to an investment holding company. The original company name of Mercuries & Associates, Ltd. was changed to Mercuries & Associates, Holding Ltd.. A separate wholly-owned subsidiary named Mercuries & Associates, Ltd. was established. Restricted employee stocks worth NT\$ 280,000 canceled. Paid-in capital reduced to NT\$ 6813.41 million.
2016	Restricted employee stocks worth NT\$ 10,000 canceled. Paid-in capital reduced to NT\$ 6813.40 million.

### III. Corporate Governance Report

#### 1. Organization

##### (1) Organizational structure



(2) Responsibilities and functions of major departments

Major departments	Major responsibilities
President's Office	Establish business strategies and directives; assess and supervise business performance and budgets.
General Administration Division	Strategy planning, business management, and public affairs management and planning.
Auditing Office	Plan and implement assessments of the company's internal control systems and track improvement outcomes.
Remuneration Committee	Responsible for stipulating assessment standards for corporate directors and managerial officers as well as policies and plans for the review of salary and remuneration of corporate directors and managerial officers.
In response to business transfers, the following departments have been transferred to the newly established subsidiary of Mercuries & Associates, Ltd. on January 1, 2015:	
Corporate Services Department	Responsible for supporting corporate logistics and management which include human resources administration, legal affairs, general affairs, finances, establishment and maintenance of IT systems, and implementation of strategies of the President's Office.
Storefront Development Department	Responsible for store expansions and décor of our Corporation's franchises.
Family Shoes BU	Responsible for business operations of the Family Shoes and En Route fine footwear retailer franchises.
Catering BU	Responsible for business operations of Mercuries Noodle, TonKaTsu, and DonMono food retailer franchises.
Simple Mart Stores BU	Responsible for business operations of daily commodities and consumer goods retailer franchises.
Occupational Safety Office	Supervision and promotion of laws and regulations governing occupational safety and environmental hygiene.

## 2. Board of Directors, Supervisors, General Manager, Vice Presidents, and Directors of various Departments and Subsidiary Agencies

### (1) Directors and Supervisors

April 26, 2016

Title	Nationality or place of registration	Name	Date of appointment	Length of term	Date of first election	Shares held when elected (*shares held by the individual and percentage of shares held)		Shares currently held (*shares held by the individual and percentage of shares held)		Shares held by spouse or minor children		Shares held in the name of other persons		Major experience / academic background	Positions currently assumed in this company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relations
President	Republic of China	Representative at Shanglin Touzi Co. Ltd.: HL Chen	June 24, 2015	3 years	May 8, 1997	140,214,249 * 18,795,389	20.58% * 2.76%	140,214,249 * 18,795,389	20.58% * 2.76%	0	0	0	0	Master of Business Administration, Georgetown University General Manager, Mercuries & Associates Holding, Ltd.	President of Asahi & Mercuries Co., Ltd., Mercuries Harvest Co., Ltd., Mercuries General Media, Inc., Mercuries Leisure Co., Ltd., Shanghong Touzi, Tastynoodle, Family Shoemart, Mercuries Foodservice, Asiadawn, UDT, Mercuries Social Welfare and Charity Foundation, Taoyuan County; Director of Mercuries & Associates, Ltd., MDS, SCI Pharmtech Inc., Mercury Fu Bao Co., Ltd., Mercuries Life Insurance, Mercuries Furniture Co., Ltd., Simple Mart Trading Co., Ltd., Foundation for Taiwan Masters Golf Tournament, and Foundation of Chinese Dietary Culture; Director of the Taiwan Criminal Investigation and Prevention Association, Chairperson of the China Happy Baseball Association (CHBA), and management director of the Chinese Slow Pitch Softball Association (CSPSA)	Director	Hsing-chung Chen	Male sibling
Director	Republic of China	Representative at Shanglin Touzi Co. Ltd.: Ming-yu Mao	June 24, 2015	3 years	May 8, 1997	140,214,249 *4,233,919	20.58% * 0.62%	140,214,249 *4,233,919	20.58% * 0.62%	64,167	0.01%	0	0	Department of Foreign Languages, Tamkang University General Manager, Catering BU, MERCURIES & ASSOCIATES, LTD. General Manager, Lifestyle BU, MERCURIES & ASSOCIATES, LTD.	-	-	-	-
Director	Republic of China	Representative at Shanglin Touzi Co. Ltd.: Hsien-chang Wang	June 24, 2015	3 years	May 8, 1997	140,214,249 * 435,406	20.58% * 0.06%	140,214,249 * 435,406	20.58% * 0.06%	70,112	0.01%	0	0	Department of Business Administration, Feng Chia University General Manager, Mercury Fu Bao Co., Ltd.	President of Mercury Fu Bao Co., Ltd., Tarng Fwu Enterprise Co., Ltd., Shanghai Kunlun Taiwan Shopping Mall Company, and Shanghai Fu Trade Co., Ltd.; Director of Napoli and Mercuries Social Welfare and Charity Foundation, Taoyuan County; Supervisor of the Taiwan Criminal Investigation and Prevention Association	-	-	-
Director	Republic of China	Representative at Shanglin Touzi Co. Ltd.: Li-yun Yang	June 24, 2015	3 years	June 19, 2009	140,214,249 *403,953	20.58% * 0.06%	140,214,249 *403,953	20.58% * 0.06%	0	0	0	0	Taipei High School of Commerce General Manager, Corporate Services Department, Mercuries & Associates, Ltd. General Manager, Storefront Development Department, Mercuries & Associates, Ltd. General Manager, Occupational Safety Office, Mercuries & Associates, Ltd.	Director of Mercuries & Associates, Ltd., Mercuries Furniture Co., Ltd., Zhengchen, UDT, Mercuries Social Welfare and Charity Foundation, Taoyuan County and Foundation for Taiwan Masters Golf Tournament; Supervisor of Tarng Fwu Enterprise Co., Ltd., Mercuries Harvest Co., Ltd., Mercury Fu Bao Co., Ltd., Mercuries General Media, Inc., MDS, Mercuries Leisure Co., Ltd., Simple Mart Trading Co., Ltd., Monteur & Mercuries Co., Ltd., CMG International One Co., Ltd., and CMG International Two Co., Ltd. Convener of the Taiwan Criminal Investigation and Prevention Association.	-	-	-



Title	Nationality or place of registration	Name	Date of appointment	Length of term	Date of first election	Shares held when elected (*shares held by the individual and percentage of shares held)		Shares currently held (*shares held by the individual and percentage of shares held)		Shares held by spouse or minor children		Shares held in the name of other persons		Major experience / academic background	Positions currently assumed in this company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relations
Director	Republic of China	Representative at Shanglin Touzi Co. Ltd.: Hsiang-chung Chen	June 24, 2015	3 years	January 15, 2014	140,214,249 *12,116,942	20.58% *1.78%	140,214,249 *12,116,942	20.58% *1.78%	751,305	0.11%	0	0	School of Industrial Engineering, Purdue University Departmental chief, Walsin Lihwa Corporation	President of MDS, WAYIA.COM Inc., Mercuries Life Insurance, HIPACT TECH. Inc., Mercuries Soft (Nanjing) Ltd., and Mercuries Life Insurance Agency; Director of Sanshang Zixun, Shanglin Touzi, Shanghong Touzi, Digicentre Company Limited, and EasyCard Corporation; Independent director of Walsin Lihwa Corporation, KEY WARE Electronics Co., Ltd.; Supervisor of Powertec Energy Corporation; Deputy Chairperson of the Taiwan Criminal Investigation and Prevention Association; Remuneration Committee member of Walsin Lihwa Corporation and Gamania Digital Entertainment Co., Ltd.	President	HIL Chen	Male sibling
Director	Republic of China	Wei-chun Weng	June 24, 2015	3 years	June 5, 2012	* 5,015,337	* 0.74%	* 5,015,337	* 0.74%	93,489	0.01%	0	0	PhD, Department of Chemistry, University of Pennsylvania General Manager, SCI Pharmtech Inc.	President of SCI Pharmtech Inc. and Yushan Pharmaceuticals, Inc. Director of Shanghai Kunlun Taiwan Shopping Mall Company, Shuren Touzi, Shufeng Touzi, Rich Train Construction Co., Ltd., Foundation for Taiwan Masters Golf Tournament, Yushan Holding Universal Ltd., CMG International One Co., Ltd., and CMG International Two Co., Ltd.; Director of Taiwan Criminal Investigation and Prevention Association;	-	-	-
Director	Republic of China	Cheng-i Fang	June 24, 2015	3 years	72.10.03	* 5,305,788	* 0.78%	* 5,305,788	* 0.78%	5,636,298	0.83%	0	0	College of Management, National Taiwan University President, Avnet Asia Pte Ltd. (Singapore)	Director of Foundation for Taiwan Masters Golf Tournament and Foundation of Chinese Dietary Culture.	-	-	-

Title	Nationality or place of registration	Name	Date of appointment	Length of term	Date of first election	Shares held when elected (*shares held by the individual and percentage of shares held)		Shares currently held (*shares held by the individual and percentage of shares held)		Shares held by spouse or minor children		Shares held in the name of other persons		Major experience / academic background	Positions currently assumed in this company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relations
Independent director	Republic of China	Mao Li	June 24, 2015	3 years	June 24, 2015	* 32,000	* 0.00%	* 37,000	* 0.01%	0	0	0	0	<p>Masters, Graduate Institute of China Studies, Tamkang University</p> <p>Deputy Director of the Keelung Customs and Taipei Customs, Customs Administration, Ministry of Finance; Director of the Taipei Customs and Deputy Director General and Director General of the Customs Administration</p> <p>Lecturer (part time) at the National Taipei University of Technology, National Taichung Institute Technology, and Chihlee Institute of Technology</p> <p>Assistant Professor (part time) at the National Taichung University of Science and Technology</p> <p>Member and meeting chair of the Remuneration Committee at the Taiwan Cooperative Financial Holding Co., Ltd.</p> <p>Member of the Board of Examiners for the 2006 and 2008 Professional and Technical Examinations.</p>	Independent Director of Taiwan Cooperative Bank, member and chairperson of the Remuneration Committee of Taiwan Cooperative Bank, member and chairperson of the Remuneration Committee of Mercuries & Associates Holding, Ltd., management director of the Customs Association, and associate professor (part time) of Chihlee Institute of Technology.	-	-	-
Independent director	Republic of China	Chang-i Chen	June 24, 2015	3 years	June 24, 2015	0	0	0	0	0	0	0	0	<p>Master of Business Administration, University of British Columbia</p> <p>Vice President, Bankers Trust Co., Taipei Branch</p>	<p>Member of the Remuneration Committee of Mercuries &amp; Associates Holding, Ltd.; Director at Advanced Semiconductor Engineering, Inc., ASE Test, Inc., ASE Kunshan, ASE Test Limited (Singapore), ASE Test Holdings Ltd., Omniquet Industrial Ltd., ISE Labs, Inc., ASE Investment (Labuan) Inc., ASE Shanghai, ASE Electronics Inc., ASE Hong Kong, Suzhou ASEN Semiconductors Co., Ltd., Super Zone Holdings Ltd., and HHI; Supervisor of ASE (Shanghai) Inc.</p> <p>Director of Shanghai Dinghui Real Estate Development, Shanghai Dingwei Real Estate Development, Shanghai Dingyu Real Estate Development, Kunshan Dinghong Real Estate Development, and Kunshan Dingyue Real Estate Development.</p> <p>Supervisor of Universal Scientific Industrial Co., Ltd.</p>	-	-	-

Title	Nationality or place of registration	Name	Date of appointment	Length of term	Date of first election	Shares held when elected (*shares held by the individual and percentage of shares held)		Shares currently held (*shares held by the individual and percentage of shares held)		Shares held by spouse or minor children		Shares held in the name of other persons		Major experience / academic background	Positions currently assumed in this company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relations
Supervisors	Republic of China	I-teng Cheng	June 24, 2015	3 years	June 5, 2012	0	0	0	0	1,745	0.00%	0	0	Department of Money and Banking, National Chengchi University Director and general manager, First Worldsec Securities (Hong Kong) Consultant at Horizon Securities Senior Vice President, Department of Capital Market, Horizon Securities Director, Horizon SICE Director and general manager, Horizon Securities (Hong Kong)	Vice President, Lianghua Guigu Touzi Guanli Youxian Gongsi	-	-	-
Supervisors	Republic of China	Representative at Shuren Touzi : Chien-chih Liu	June 24, 2015	3 years	June 5, 2012	96,690,495 *0	14.19% * 0	96,690,495 *0	14.19% * 0	0	0	0	0	Master of Law, University of Michigan Partner, Chen & Lin Attorneys-at-Law	Chief of legal affairs, China Network Systems Co., Ltd. Director at Liwang Keji and H2 Inc.; Supervisor at Unimicron Corporation, Prosperity CATV Corporation, Wonderful Cable TV Co., Ltd., Ga Ho Cable TV Co., Ltd., Telefirst Cable Communication Co., Ltd., Suncrown CATV Co., Ltd., Ching Lian Cable TV Co., Ltd., An Shun Development Engineering Co., Ltd., Anchen Development Co., Ltd., Anyi Development Co., Ltd., Ktelecom Co., Ltd., Global Digital Media Co., Ltd., Dongbo Ziben Chuangye Touzi, Xinsi Touzi, Sigao Touzi, and Dongbo Caiwu Guwen	-	-	-

(2) Major shareholders of the artificial person

Name of the artificial person	Major shareholders of the artificial person	Shareholding percentage
Shanglin Touzi Co., Ltd.	HL Chen Hsiang-chieh Chen Hsiang-fen Chen Chang-hui Hsu Hsiang-chung Chen Shanghong Touzi Co., Ltd. Te-pin Wang	31.41% 15.43% 15.21% 12.82% 11.79% 8.21% 5.13%
Shuren TouziCo., Ltd.	Wei-chun Weng Tsui-chun Weng Shufeng Touzi Co., Ltd. Chao-hsi Weng I-hsuan Weng Chun-hui Yang Hsueh-hui Yang	27.89% 24.70% 15.39% 14.39% 17.55% 0.06% 0.02%

Major shareholders of artificial persons who are major shareholders listed in the previous list

Name of the artificial person	Major shareholders of the artificial person	Shareholding percentage
Shanghong Touzi Co., Ltd.	Chang-hui Hsu HL Chen Shanglin Touzi Co., Ltd. Hsiang-chieh Chen Hsiang-fen Chen Te-pin Wang Hsiang-chung Chen	26.15% 23.08% 23.08% 11.41% 9.74% 4.62% 1.92%
Shufeng Touzi Co., Ltd.	Shuren Touzi Co., Ltd. Chao-hsi Weng Wei-chun Weng Tsui-chun Weng Chun-hui Yang Hsueh-hui Yang I-hsuan Weng Hsiang-fen Chen	67.95% 14.62% 8.20% 8.20% 0.46% 0.26% 0.26% 0.05%

### (3) Directors and supervisors

April 26, 2016

Condition  Name	Does the individual have more than 5 years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note 2)										Currently serving as the independent director of other public companies
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company.	1	2	3	4	5	6	7	8	9	10	
Director														
HL Chen			✓							✓		✓		0
Ming-yu Mao			✓	✓		✓	✓	✓		✓	✓	✓		0
Hsien-chang Wang			✓			✓	✓	✓		✓	✓	✓		0
Wei-chun Weng			✓			✓				✓	✓	✓	✓	0
Cheng-i Fang			✓	✓				✓	✓	✓	✓	✓	✓	0
Li-yun Yang			✓			✓	✓			✓	✓	✓		0
Hsiang-chung Chen			✓							✓		✓		2
Mao Li	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chang-i Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Supervisors														
Chien-chih Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
I-teng Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: For any director or supervisor who fulfill the relevant condition(s) for 2 fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions.

- (1) Not employed by the company or an affiliated business
- (2) Not serving as a director or supervisor of the company's affiliated business (this does not apply in cases where the person is an independent director of the parent company, or subsidiary where the company holds, directly and indirectly, more than 50% of the voting shares).
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the 3 preceding items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business, or spouse thereof. This restriction, however, does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the *Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter*.
- (8) Not a spouse or a relative within the second degree of kinship with any director.
- (9) Where none of the circumstances in the subparagraphs of Article 30 of the *Company Act* applies.
- (10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the *Company Act*.

(4) General Manager, vice presidents, assistant managers, and managerial officers of various departments or branches.

April 26, 2016

Title	Nationality	Name	Date of appointment	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Major experience / academic background	Positions currently assumed in this company	Any managerial officer who is a spouse or a relative within the second degree of kinship		
				Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relations
General Manager	Republic of China	HL Chen	93.12.14	18,795,389	2.76%	0	0	0	0	Master of Business Administration, Georgetown University General Manager of MERCURIES & ASSOCIATES, LTD.	President of Asahi & Mercuries Co., Ltd., Mercuries Harvest Co., Ltd., Mercuries General Media, Inc., Mercuries Leisure Co., Ltd. Shanghong Touzi , Tastynoodle, Family Shoemart, Mercuries Foodservice, Asiandawn, UDT, Mercuries Social Welfare and Charity Foundation, Taoyuan County; Director of Mercuries & Associates, Ltd., MDS, SCI Pharmtech Inc., Mercury Fu Bao Co., Ltd., Mercuries Life Insurance, Mercuries Furniture Co., Ltd., Simple Mart Trading Co., Ltd., Foundation for Taiwan Masters Golf Tournament, and Foundation of Chinese Dietary Culture; Director of the Taiwan Criminal Investigation and Prevention Association, Chairperson of the China Happy Baseball Association (CHBA), and management director of the Chinese Slow Pitch Softball Association (CSPSA)	None	None	None
Vice President and Financial Executive	Republic of China	Johnson Wang	93.02.01 98.07.17	137,952	0.02%	0	0	0	0	Department of Economics, Fu Jen Catholic University Manager, Corporate Services Department, MERCURIES & ASSOCIATES, LTD.	Director at Zhengchen; Director of Mercuries Harvest Co., Ltd., Tarng Fwu Enterprise Co., Ltd., Mercuries Leisure Co., Ltd., Mercuries General Media, Inc., and Mercuries Social Welfare and Charity Foundation, Taoyuan County; Supervisor (note) of Mercuries & Associates, Ltd., Napoli, Mercuries Furniture Co., Ltd., Mercuries Bakery Co., Ltd., MDS, Asahi & Mercuries Co., Ltd., and Fuh Hwa Securities Investment Trust Co., Ltd.	None	None	None
Vice President and Chief of Accounting	Republic of China	TK Chin	November 14, 2014 July 30, 2009	49,388	0.01%	0	0	0	0	Department of Accounting, National Taiwan University Manager, BDO Taiwan Manager, Underwriting Department, KGI Securities	Director of Tarng Fwu Enterprise Co., Ltd. and Mercuries Social Welfare and Charity Foundation, Taoyuan County; Supervisor of MDS; Supervisor of Shanghai Sanshang Canying, Mercuries FoodService (Shanghai) Co., Ltd, Mercuries Bakery (Shanghai) Limited Company, and Shanghai Fu Trade Co., Ltd.	None	None	None

Note: Johnson Wang resigned from his position as supervisor of Fuh Hwa Securities Investment Trust Co., Ltd. on May 4, 2016 while TK Chin became the supervisor of Fuh Hwa Securities Investment Trust Co., Ltd on May 5, 2016.

### 3. Remuneration paid out to Directors, Supervisors, the General Manager, and Vice Presidents

Since this Corporation did not have (1) After-tax deficits in its or individual financial reports; (2) Insufficient director shareholding percentage for 3 consecutive months or longer during the most recent year; (3) Average ratio of share pledging greater than 50 percent by directors or supervisors in any 3 months during the most fiscal year; (4) Total amount of remuneration received by all directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeding 2 percent of the net income after tax (NIAT), or that remuneration received by any individual director or supervisor exceeds NT\$15 million, our Corporation may therefore opt to disclose aggregate remuneration information with the name(s) indicated for each remuneration range.

#### 1. Remuneration for directors (and independent directors) (aggregate remuneration with name(s) indicated for each remuneration range)

Unit: Thousand NTS / Thousand shares

Title	Name	Director's remuneration								Proportion of NIAT after summing items A, B, C, and D	Employee remuneration for other activities										Proportion of NIAT after summing items A, B, C, D, E, and F		Whether or not the person receives remuneration from other non-subsidiary companies that our company has invested in			
		Remunerati on (A) (Note 1)		Retiremen t pension (B)		Director's Remuneration (C) (Note 3)		Business execution fees (D)			Salaries, bonuses, and special expenses (E)		Retirement allowance (F) (Note 2)		Employee remuneration (G) (Note 3)		Amount of shares that may be purchased through the employee stock warrant (H)		Restricted employee shares acquired (H)							
		The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report		The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation		All companies listed in our Financial Report		The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report		The Corporation	All companies listed in the Financial Report	
															Sum of cash bonus	Sum of share bonus	Sum of cash bonus	Sum of share bonus								
President	Shanglin Touzi HL Chen	0	0	0	0	10,500	10,741	850	850	0.77%	0.79%	6,960	32,307	288	612	0	0	0	4,479	0	0	0	0	1.26%	3.02%	None
Director	Shanglin Touzi Ming-yu Mao																									
Director	Shanglin Touzi Hsiang-chung Chen																									
Director	Shanglin Touzi Hsien-chang Wang																									
Director	Shanglin Touzi Li-yun Yang																									
Director	Wei-chun Weng																									
Director	Cheng-i Fang																									
Independent director	Mao Li																									
Independent director	Chang-i Chen																									

Note 1: Directors of the Corporation do not receive any remuneration except for salaries for working as managerial officers.

Note 2: Refers to the number of withdrawals made for this year.

Note 3: Appropriation of net income for 2015 was approved by the Board of Directors on March 31, 2016. Remuneration for directors and supervisors and remuneration for employees amounted to NT\$ 12,500,000 and NT\$ 16,300,000 respectively, and are currently waiting for approval by the Board of Shareholders.

Table of remuneration ranges

Remuneration range for each director in our Company	Name of director				
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)		
	The Corporation	All companies listed in our Financial Report I	The Corporation	All companies listed in the Financial Report J	
Less than NT\$ 2,000,000	Cheng-i Fang, Wei-chun Weng, Mao Li, Chang-i Chen Representatives at Shanglin Touzi: Hsiang-chung Chen, Ming-yu Mao, Hsien-chang Wang, Li-yun Yang	Cheng-i Fang, Wei-chun Weng, Mao Li, Chang-i Chen Representatives at Shanglin Touzi: Hsiang-chung Chen, Ming-yu Mao, Hsien-chang Wang, Li-yun Yang	Cheng-i Fang, Wei-chun Weng, Mao Li, Chang-i Chen Representatives at Shanglin Touzi: Hsiang-chung Chen, Ming-yu Mao, Hsien-chang Wang, Li-yun Yang	Cheng-i Fang, Mao Li, Chang-i Chen Representative at Shanglin Touzi: Ming-yu Mao	
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	Representative at Shanglin Touzi: HL Chen	Representative at Shanglin Touzi: HL Chen	0	0	
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	0	0	Representative at Shanglin Touzi: HL Chen	Representative at Shanglin Touzi: HL Chen, Hsien-chang Wang, Li-yun Yang	
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	0	0	0	Wei-chun Weng, Hsiang-chung Chen	
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000	0	0	0	0	
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000	0	0	0	0	
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000	0	0	0	0	
More than NT\$ 100,000,000	0	0	0	0	
Total	9	9	9	9	



## 2. Remuneration for supervisors (aggregate remuneration with name(s) indicated for each remuneration range)

Unit: Thousand NT\$

Title	Name	Supervisor's remuneration						Proportion of NIAT after summing items A, B, and C		Whether or not the person receives remuneration from other non-subsidiary companies that the company has invested in
		Remuneration (A) (Note 1)		Compensation (B) (Note 3)		Business execution fees (C) (Note 2)				
		The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	
Supervisors	Shuren Touzi Chien-chih Liu	0	0	2,000	2,000	220	220	0.15%	0.15%	None
Supervisors	I-teng Cheng									

Note 1: Supervisors of the Corporation are not provided with a salary, and will only be provided with remuneration from net income appropriation as prescribed by the Corporation by-laws.

Note 2: Business execution fees refer to commuting expenses.

Note 3: Appropriation of net income for 2015 was approved by the Board of Directors on March 31, 2016. Remuneration for directors and supervisors amounted to NT\$ 12,500,000 and is currently waiting for approval by the Board of Shareholders.

Table of remuneration ranges

Remuneration range for each supervisor in the Company	Name of the supervisor	
	Sum of the first 3 items (A+B+C)	
	The Corporation	All companies listed in the Financial Report D
Less than NT\$ 2,000,000	I-teng Cheng Representative at Shuren Touzi: Chien-chih Liu	I-teng Cheng Representative at Shuren Touzi: Chien-chih Liu
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	-	-
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	-	-
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	-	-
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000	-	-
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000	-	-
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000	-	-
More than NT\$ 100,000,000	-	-
Total	2	2

### 3. Remuneration for General Managers and Vice Presidents (aggregate remuneration with name(s) indicated for each remuneration range)

Unit: Thousand NT\$

Title	Name	Salary (A)		Retirement pension (B) (Note 1)		Bonuses and special expenses (C) (Note 2)		Employee’s remuneration (D) (Note 3)				Proportion of NIAT after summing items A, B, C, and D (%)		Amount of employee stock warrant acquired		New restricted employee shares acquired		Whether or not the person receives remuneration from other non-subsidiary companies that the company has invested in
		The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation		All companies listed in the Financial Report		The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	The Corporation	All companies listed in the Financial Report	
								Cash Sum	Shares Sum	Cash Sum	Shares Sum							
General Manager	HL Chen	6,123	6,123	423	423	6,887	6,887	0	0	0	0	0.91%	0.91%	0	0	0	0	None
Vice President	Johnson Wang																	
Vice President	TK Chin																	

Note 1: Refers to the number of withdrawals made for this year.

Note 2: The figure in this column includes book cost of the vehicle as well as rental expense for the assigned vehicle.

Note 3: Appropriation of net income for 2015 was approved by the Board of Directors on March 31, 2016. Remuneration for employees amounted to NT\$ 16,300,000 and is currently waiting for approval by the Board of Shareholders.

Table of remuneration ranges

Remuneration range for each General Managers and Vice Presidents in the Company	Name of the General Managers and Vice Presidents	
	The Corporation	All companies listed in the Financial Report E
Less than NT\$ 2,000,000	0	0
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	Johnson Wang, TK Chin	Johnson Wang, TK Chin
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	HL Chen	HL Chen
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	0	0
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000	0	0
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000	0	0
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000	0	0
More than NT\$ 100,000,000	0	0
Total	3	3

4. Names of managerial officers provided with employee's compensation and state of payments

April 26, 2016

	Title	Name	Value of share payments (Note)	Value of cash payments (Note)	Total	Total payment as a proportion of NIAT (%)
Managerial officers	General Manager	HL Chen	0	0	0	0
	Vice President	Johnson Wang				
	Vice President	TK Chin				

Note : Appropriation of net income for 2015 was approved by the Board of Directors on March 31, 2016. Remuneration for employees amounted to NT\$ 16,300,000 and is currently waiting for approval by the Board of Shareholders.

Compare and analyze the total remuneration paid to each of the Company's Directors, Supervisors, General Managers, and Deputy General Managers in the 2 most recent fiscal years by all companies listed in the Company's individual and consolidated financial statement as a percentage of NIAT and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

A. Total remuneration as a proportion of NIAT (%)

	The Corporation		All companies in the consolidated report	
	2015	2014	2015	2014
Director	1.26%	1.89%	3.02%	3.29%
Supervisors	0.15%	0.19%	0.15%	0.19%
General Managers and Vice Presidents	0.91%	0.82%	0.91%	0.82%

B. Directors' and supervisors' remuneration policy in the company is prescribed within the company by-laws and has been approved by the Board of Shareholders. Remuneration for independent directors shall be based on the general market environment, and the Board of Directors is authorized to resolve upon this. Remuneration for directors, supervisors, and managerial officers shall, by regulation, be regularly assessed and reviewed by the Salary and Remuneration Committee of the company by considering the title, contribution, and performance of the remuneration recipient as well as the future risk exposure of the company. The remuneration proposal shall then be submitted to the Board of Directors for final approval before being implemented accordingly.

## 4. Implementation of Corporate Governance

### (1) Implementation of Directors' Meetings

A total of 11 Directors' Meetings were held in 2015. The following lists the attendance of Directors and Supervisors in these meetings:

Title	Name	Actual presence (attendance)	Delegated presence	Rate of actual presence (attendance) (%)	Note
President	Shanglin Touzi HL Chen	9	2	82%	June 24, 2015. Re-elected
Director	Shanglin Touzi Ming-Yu Mao	11	0	100%	June 24, 2015. Re-elected
Director	Shanglin Touzi Hsien-chang Wang	9	1	82%	June 24, 2015. Re-elected
Director	Shanglin Touzi Li-yun Yang	11	0	100%	June 24, 2015. Re-elected
Director	Shanglin Touzi Hsiang-chung Chen	6	1	55%	June 24, 2015. Re-elected
Director	Wei-chun Weng	11	0	100%	June 24, 2015. Re-elected
Director	Cheng-i Fang	10	0	91%	June 24, 2015. Re-elected
Independent director	Mao Li	4	0	100%	June 24, 2015. Newly elected
Independent director	Chang-i Chen	2	0	50%	June 24, 2015. Newly elected
Supervisors	Shuren TouziChien-chih Liu	5	0	45%	June 24, 2015. Re-elected
Supervisors	I-teng Cheng	10	0	91%	June 24, 2015. Re-elected

Other items that shall be recorded:

- For any item listed in Article 14 Paragraph 3 of the *Securities and Exchange Act* as well as any other issues where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ, and have been submitted to the Directors' Meeting for resolution, the date, session, topic discussed, opinions of every independent directors, and the Corporations' handling of the opinions of the independent directors: None.
- For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process: No topics that require recusal due to conflict of interest.
- Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented:  
The company has convened a total of 11 Directors' Meetings in 2015 while average attendance of every director in the Board of Directors was 86%. Both of these figures were higher than the performance assessment standard for the Board of Directors (standard requirement: More than 6 Directors' Meetings every year and average attendance of at least 75%)  
The operations of the Board of Directors and exercising of the directors' authorities were compliant to the regulations governing directors' meetings stipulated by the company. The Board of Directors achieved good operational performance.

(2) Operations of the Audit Committee or supervisors' participation in the Directors' Meeting:

1. The Corporation has yet to establish an Audit Committee, but shall implement relevant activities according to the related regulations.

2. Supervisors' participation in the Directors' Meeting:

A total of 11 Directors' Meetings were held in 2015. The following lists the attendance of Supervisors in these meetings:

Title	Name	Number of actual attendance	Rate of actual attendance	Note
Supervisors	Shuren Touzi Chien-chih Liu	5	45%	June 24, 2015. Re-elected
Supervisors	I-teng Cheng	10	91%	June 24, 2015. Re-elected

Other items that shall be recorded:

1. Composition and responsibilities of the supervisors:

(1) Communication with the Company's employees and shareholders: Where the Supervisor believes to be necessary, the Supervisor may directly contact employees and shareholders.

(2) Communication between the Supervisor and the internal audit manager or CPA:

1. The chief internal auditor regularly submits audit reports to the Board of Directors and Supervisors.

2. Where the Supervisor believes to be necessary, the Supervisor may contact the CPA directly or through phone or in writing.

2. If the Supervisors stated any opinions while attending Directors' Meetings, the date, session, contents of the case discussed, and resolution of the Directors' Meeting as well as the Company's disposition of opinions stated by the Supervisors shall be described: None.

(3) State of corporate governance, gaps with the *Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies*, and the cause of the said gaps

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
1. Did the company stipulate and disclose best practice principles for corporate governance according to the <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> ?	v		The company has established a <i>Corporate Governance Best Practice Principles</i> according to the <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> , and have disclosed these Principles upon the Market Observation Post System (MOPS) and the official website of the company.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> .
2. Equity structure and shareholders' rights of the company				
(1) Did the company establish internal procedures for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to these internal procedures?	v		(1) A spokesperson system has been established. Dedicated personnel were assigned to handle shareholder recommendations, disputes, and other questions.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(2) Did the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	v		(2) The company has full knowledge and understanding of its major shareholders and maintains a register of persons with ultimate control over those major shareholders. Shares held by major shareholders were also declared according to the required schedule.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(3) Did the company establish and enforce risk control and firewall systems with its affiliated businesses?	v		(3) All business and financial transactions between the company and its affiliated businesses were compliant to the regulations prescribed by the competent authorities. Documented procedures were established to govern those businesses and financial transactions.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(4) Did the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	v		(4) In reference to its internal control procedures, the company has prohibited any insiders from using undisclosed information for securities trading. Unannounced audits would also be conducted by the auditing departments.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> .
3. Composition and responsibilities of the Board of Directors				
(1) Has a policy of diversity been established and implemented for the composition of the board of directors?	v		(1) Members of the company's Board of Directors have different specialties. Membership includes professionals from various sectors to fulfill and implement the	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice</i>

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
<p>(2) In addition to salary and remuneration committee and audit committee established according to law, has the company voluntarily established other functional committees?</p> <p>(3) Did the company stipulate regulations for assessing the performance of the board of directors and the process of assessment? Are these performance assessments carried out regularly every year?</p> <p>(4) Did the company regularly implement assessments on the independence of CPA?</p>	v		<p>responsibilities of the Board of Directors.</p> <p>(2) The company has established a Salary and Remuneration Committee according to law. Other functional committees shall be established as required in the future.</p> <p>(3) The company has stipulated a <i>Regulations for Self- and Peer-Assessments for Members of the Board of Directors</i>. These Regulations were used as the basis for conducting annual performance reviews.</p> <p>(4) The company shall conduct annual assessments on a regular basis and has acquired a declaration of independence from the CPAs. Assessments for the independence of the CPAs were reviewed and passed by the Board of Directors on July 2, 2015. Items assessed include: The CPA and his/her spouse or minor children shall not have any investment, sharing of financial interest, or capital loans, or any of the 22 related items with the Corporation.</p>	<p><i>Principles for TWSE/GTSM Listed Companies.</i></p> <p>*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</i></p> <p>*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</i></p> <p>*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</i></p>
4. Has the company established a communication channel with stakeholders? Has a stakeholders' area been established in the company's website? Has the company addressed major corporate social responsibility (CSR) topics that the stakeholders are concerned in a proper manner?	v		<p>(1) The company has established a spokesperson system and a stakeholders' area in the official website, disclosed relevant contact information upon the MOPS and official website of the Corporation according to the relevant regulations, and created good communication channels with fellow investors.</p> <p>(2) Relevant departments within the company have been assigned to be in charge of maintaining open communication channels with stakeholders which include correspondent banks, consumers, suppliers, and investors.</p>	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</i>
5. Has the company delegated a professional shareholder services agent to handle affairs related to shareholders' meeting?	v		The company has delegated the Shareholder Services Department of Horizon Securities Corp. to be in charge of handling affairs related to shareholders within this Corporation.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed</i>

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> , and the cause of the said gaps <i>Companies.</i>
	Yes	No	Summary	
6. Information disclosure				
(1) Did the company establish a website to disclose information on financial operations and corporate governance?	v		(1) The company has established a section for disclosing the aforementioned information. Finances, business operations, and corporate governance of the Corporation were disclosed on a regular basis. Links were also established with the Taiwan Securities Exchange (TWSE) and Market Observation Post System (MOPS) to provide prompt disclosure of relevant information.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(2) Did the company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?	v		(2) The company has established a spokesperson system. Dedicated personnel have been assigned to collect and publish various information.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</i>
7. Has the company provided important information to provide better understanding of the state of corporate governance (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of directors and supervisors, risk management policy and state of implementing risk impact standards, state of implementing customer policies, and the company's purchase of liability insurance for its directors and supervisors)?	v		(1) The company has established an Occupational Welfare Committee to stipulate adequate employee welfare plans as well as provision of bonuses for marriage, funerals, childbirth, and other personal celebrations of our employees. On-job training for employees were also carried out on suitable occasions in order to generate positive relationships with the employees. (2) The company provides information or content updates on matters relating to corporate governance, finance, accounting, and law for its directors and supervisors every now and then. Legal attorneys or CPAs would be engaged in case there are any impact or areas that require clarification. (3) Risk management policy in the company were implemented through the Board of Directors in accordance with the relevant regulations. Various operational policies and internal regulations were also established as a rule of conduct for various Business Units (BU) within the Corporation. Operational risks shall be identified, assessed, monitored, avoided, and reported upon by various	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</i>



Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
			<p>managerial officers. Auditors shall evaluate process implementation and risk control measures undertaken by various departments and regularly submit audit results to the Board of Directors and Supervisors. The Directors' Office has established an Emergency Response Task Force composed of members from various departments in order to promptly and effectively respond to contingencies and reduce business risks.</p> <p>(4) The company places great importance on consumer rights and has established a toll-free 0800 customer service phone number. Dedicated personnel have been appointed to handle cases of complaints. A policy of product returns and replacement was also established and implemented accordingly.</p> <p>(5) Provision of liability insurances for directors and supervisors are currently being reviewed.</p>	
8. Has the company used corporate governance self-assessments or commissioned other professional agencies or companies to assess the company's corporate governance efforts? Are relevant reports generated? (If yes, please describe the opinions of the company's board of directors, results of self-assessment or commissioned assessments, as well as major defects, recommendations, and state of improvements)	v		The company did not commission other professional agencies in generating assessment reports, but would initiate self-assessments for the compliance to corporate governance regulations. Results of these assessments would be used as a reference to review and initiate improvements to improve overall effectiveness of corporate governance.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies</i> .

(4) Composition, duties, and operations of the Salary and Remuneration Committee of the company:

1. Information on the members of the Salary and Remuneration Committee

Role (Note 1)	Condition  Name	Does the individual have more than 5 years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note 2)								Number of salary and remuneration committee memberships concurrently held in other public companies	Notes (Note 3)
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of a company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company.	1	2	3	4	5	6	7	8		
dependent director (Note 4)	Mao Li	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	1	✓
Independent director (Note 4)	Chang-i Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Others (Note 4)	Te-cheng Tu			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: For identity, please annotate whether the person is a director, independent director, or others.

Note 2: For any committee member who fulfill the relevant condition(s) 2 years before being elected or during the term of appointment, please provide the [✓] sign in the field next to the corresponding condition(s).

- (1) Not employed by the company or an affiliated business.
- (2) Not a director or supervisor of the company or an affiliated business. This does not apply in cases where the person is an independent director of the company, its parent company, or subsidiary where the company holds, directly and indirectly, more than 50% of the voting shares.
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the 3 preceding items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated businesses, or spouse thereof.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the *Company Act* applies.

Note 3: Where the individual is a director, please explain whether the said individual is compliant to the regulations prescribed in Article 5 Paragraph 5 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

Note 4: Re-elected during the Directors' Meeting of July 2, 2015.

## 2. Operations of the Salary and Remuneration Committee

(1) The company has a Salary and Remuneration Committee composed of 3 members.

(2) Duration of the current term of service: July 2, 2015 to June 23, 2018. In the last fiscal year (2015), a total of 2 Salary and Remuneration Committee meetings were held. The following lists member qualifications and presence for these meetings:

Title	Name	Actual presence	Delegated presence	Rate of actual presence	Note
Committee chair	Mao Li	2	0	100%	Re-elected during the Directors' Meeting of July 2, 2015.
Member	Chang-i Chen	1	0	50%	Re-elected during the Directors' Meeting of July 2, 2015.
Member	Te-cheng Tu	1	0	50%	Re-elected during the Directors' Meeting of July 2, 2015.
Other items that shall be recorded:					
1.If the Board of Directors choose not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, results of meeting resolutions, and the company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.					
2. Where resolutions of the Salary and Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.					

(5) Fulfillment of social responsibilities:

Items assessed	State of operations			Gaps with the <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</i> and root causes
	Yes	No	Summary	
<p>1. Implementation of corporate governance</p> <p>(1) Has the company stipulated corporate social responsibility (CSR) policies and systems and has the company reviewed the effectiveness of its CSR activities?</p> <p>(2) Has the company provided regular training on CSR topics?</p> <p>(3) Has the company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the board of directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the board of directors?</p> <p>(4) Has the company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the company established a clear reward and penalty system?</p>	v	v	<p>(1) The company has not yet to define a CSR policy. However, overall corporate operations are implemented in compliance with relevant rules and regulations.</p> <p>(2) The company continuously promotes corporate governance principles and social responsibilities and obligations through regular meetings.</p> <p>(3) The company has not yet to establish any exclusively (or concurrently) dedicated unit for handling CSR activities. The directors, supervisors, and decision makers of our Corporation are maintaining close vigilance over corporate governance and development trends on a daily basis, and will be able to implement relevant measures once governing regulations have been finalized by the competent authorities.</p> <p>(4) The Employee's Manual of the company contain clear descriptions of employee performance assessment and standards for rewards and penalties. The company also shares its revenues with fellow employees and ensure that employee salaries grow with business performance to fulfill corporate obligations.</p>	<p>The company will study, propose, and implement relevant measures where necessary.</p> <p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</i>.</p> <p>The company will study, propose, and implement relevant measures where necessary.</p> <p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</i>.</p>
<p>2. Developing a sustainable environment</p> <p>(1) Is the company committed to improving usage efficiencies of various resources? Does the company use renewable resources with reduced environmental impact?</p> <p>(2) Has the company referred to the nature of its industry to establish a suitable environment management system (EMS)?</p>	v	v	<p>(1) To promote environmental protection efforts and support green procurement, purchasing activities of the company would prioritize products with green or energy saving labels as well as multiple-use products. The company also reduced the purchasing of single-use products, initiated measures for waste sorting and resource recycling, and implemented dedicated efforts in process improvements to recycle and reuse solvents.</p> <p>(2) A dedicated unit was assigned to maintain office and work environments. Cleaning companies or professionals were also commissioned to maintain environmental</p>	<p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</i>.</p> <p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility</i></p>

Items assessed	State of operations			Gaps with the <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</i> and root causes
	Yes	No	Summary	
(3) Is the company concerned with changes to the global climate and how it may affect business activities? Has the company implemented greenhouse gas (GHG) inventory checks and stipulated strategies for reducing energy consumption, carbon emissions, and GHG production?	v		cleanliness. (3) To support energy saving and carbon reduction measures, we promoted paper recycling and reuse as well as paper-free measures within our offices. Indoor temperature is under centralized control to reduce GHG emissions.	<i>Best Practice Principles for TWSE/GTSM Listed Companies.</i> Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
3. Sustaining community services				
(1) Has the company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	v		(1) The Employee's Manual of the company was based upon the <i>Labor Standards Act</i> and other relevant labor regulations and laws to safeguard the employees where rights.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(2) Has the company established employee appeal system and channels? Are employee appeals handled appropriately?	v		(2) Internal communication channels of the company are open, allowing employees to discuss any questions or problems encountered during life or work with their supervisors at any time. Such measures allow active understanding and reasonable fulfillment of the requirements of the fellow employees.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(3) Has the company provided employees with safe and healthy work environments? Are employees given regular lessons on health and safety?	v		(3) The company has provided employees with employee safety and health insurances and established an Occupational Welfare Committee.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(4) Has the company established a system to regularly communicate with its employees? Are appropriate means used to notify employees of operation changes that may result in material impacts?	v		(4) Internal communication channels of the company are open, allowing employees to discuss any questions or problems encountered during life or work with their supervisors at any time. The Corporation has also established an internal e-Bulletin notification system that provides news every now and then.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(5) Has the company established effective career and competence development and training plans?	v		(5) Employees are provided with an open channel of promotion and comprehensive training programs, allowing them to perform duties required of their positions while acquiring necessary skills needed for promotion.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(6) Has the company established relevant policies and systems of appeal for consumer rights in the processes of research and	v		(6) Every product has passed inspection standards established by the relevant inspection agencies and is	Compliant to the regulations prescribed by <i>Corporate Social Responsibility</i>

Items assessed	State of operations			Gaps with the <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</i> and root causes
	Yes	No	Summary	
development, purchasing, production, operations, and services?			covered by product liability insurances. The company also upholds the customer-first approach and established a 0800-Customer Service Center number for the general public to safeguard the customers' rights.	<i>Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(7) Is the company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?	v		(7) All marketing activities and labeling of various products and services are compliant to the regulations of the competent authorities.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(8) Has the company assessed environmental and social impact records of a supplier before engaging in commercial dealings with the said supplier?	v		(8) The company also places great importance on social responsibilities and environmental protection. We have selected suppliers that share the same values of trust and regularly assess supplier for adequacy.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
(9) Do contracts between the company and its major suppliers include terms where the company may terminate or rescind the contract at any time if the said supplier has violated the company's corporate social responsibility policy and have caused significant impact upon the environment and society?	v		(9) All suppliers are required to comply with integrity-related policies established by the company, and contracts will be immediately terminated for any violations to those policies in order to achieve reasonable quotation, best product quality, and to allow both the supplier and the company to jointly achieve the goals of improving our fulfillment of corporate social responsibilities.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
4. Improvement of information disclosure (1) Does the company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?	v		The company has established a spokesperson system, and appointed a dedicated personnel to collect and disclose relevant information accordingly.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</i>
5. Where the company has stipulated its own Best Practices on CSR according to the <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</i> , please describe any gaps between the prescribed best practices and actual activities taken by the company: The company has yet to establish such Best Practices or principles.				
6. Any important information useful for understanding the state of CSR operations: (1) To fulfill the principle of <i>Giving Back to Society</i> , the company jointly organized the <i>Mercuries Cup Road Race</i> and the <i>Mercuries Taiwan Masters Invitational Golf Tournament</i> with its sponsors to promote athleticism amongst the general public. (2) Since its establishment, Family Shoes became a participant of the Single Shoes Bank to benefit those with only one leg. (3) Charity donations were held every now and then to care for the underprivileged. The company actively works with the government to promote various policies in environmental protection as well as energy saving and carbon reduction measures to fulfill CSR requirements.				
7. Any review standards of certification bodies that the company's CSR report have been qualified for shall be described: Not applicable.				

## (6) Implementing ethical corporate management

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management				
(1) Has the company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents? Are the company's directors and management actively fulfilling their commitment to corporate policies?	v		(1) All contracts and laws governing the company 's transactions and dealings with external parties have been implemented along ethical principles. The Board of Directors have also stipulated a code of ethical conduct as the basis for ethical corporate management.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(2) Has the company stipulated a plan to forestall unethical conduct? Has the company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within the said plan? Is the plan implemented accordingly?	v		(2) The company 's internal control system and employees' code of conduct also provided constant reminders on ethical principles and requirements. The said system and code of conduct were also enforced accordingly.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(3) Has the company established preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or business activities with a higher risk of being involved in an unethical conduct within the company's scope of business?	v		(3) In order to fulfill internal requirements and laws stipulated by the competent authorities, audit plans with higher frequencies and stringency were conducted for high risk business activities by personnel of the auditing department. High level supervisors also initiate unannounced visits with the supplier in order to prevent or uncover similar accidents.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
2. Implementing ethical corporate management				
(1) Has the company evaluated ethical records of its counterparty? Does the contract signed by the company and its trading counterparty clearly provide terms on ethical conduct?	v		(1) The company tends to blacklist any supplier without ethical principles. All external contracts are reviewed by our legal department. All contractual terms are also stipulated according to ethical principles.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(2) Has the company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the board of directors? Does the said unit regularly report to the board of directors on the state of its activities?	v		(2) The Board of Directors is constantly aware of the business activities within the company, and is able to promptly demand corrections in response to any violations to ethical business conduct.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(3) Has the company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	v		(3) The company is compliant to the requirement on the independence of internal control departments and that auditors should not audit their own work. Tasks and duties of every employee have been stipulated to adequately prevent any conflict of interests.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(4) Has the company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the company's internal audit unit or commissioned to a	v		(4) Regular or unannounced audits of every business cycle are carried out by internal auditors in order to assess the fulfillment of various systems.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
CPA? (5) Does the company regularly organize internal and external training for ethical corporate management?	v		(5) To ensure the proper implementation of ethical corporate management and ensure that such principles are ingrained within the corporate culture, the company actively promotes regulations related to ethical corporate management in various meetings.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
3. Status for enforcing whistle-blowing systems in the company (1) Has the company established concrete whistle-blowing and reward systems and accessible whistle-blowing channels? Does the company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	v		(1) The company has well-functioning internal communication channels and a comprehensive stand-in and rotational shift system. All ethical or legal violations will be exposed eventually. Dedicated groups were also assigned to handle relevant affairs according to the relevant regulations.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(2) Has the company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?	v		(2) The company has established confidentiality measures for cases exposed by the whistle-blower. Regulations also require supervisors to maintain the confidentiality of the personnel who are party to the case.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
(3) Has the company adopted protection against inappropriate disciplinary actions for the whistle-blower?	v		(3) The company also maintains the confidentiality of the whistle-blowers to protect them against inappropriate disciplinary actions as a result of their whistle-blowing.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> .
4. Improvement of information disclosure (1) Has the company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System (MOPS)?	v		(1) The Board of Directors of the company has stipulated a set of best practice principles for ethical corporate management and disclosed these practices by publishing them on the company's official website and MOPS.	These principles have already been established by the company, and plans have been made to enforce them accordingly.
5. Where the company has stipulated its own best practices on ethical corporate management according to the <i>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</i> , please describe any gaps between the prescribed best practices and actual activities taken by the company: The Board of Directors of the company has already stipulated best practice principles for ethical corporate management. These principles were implemented during routine business activities and management practice and were enforced accordingly.				
6. Any important information to better understand the company's implementation of ethical corporate management (for example, any review or amendment to best practices for ethical corporate management of the company): In addition to complying with statutory regulations, the company also required counterparty suppliers to fulfill the principles of ethical management and to implement them during routine business activities and management practice.				

(7) Means for reviewing principles of corporate governance and relevant regulations: The company has stipulated standards that include best practice principles for corporate governance, ethical corporate management principles, and code of ethical conduct. These standards have



been implemented and promoted during corporate governance and published upon the MOPS and our Corporation's official website.

(8) Other important information on the state of corporate governance activities:

1. Risk management policy:

The risk management policy of the Corporation was based upon corporate operation guidelines. Under the pretext of achieving a balance between risk-taking and potential returns as well as the principle of optimizing resource allocation and benefits, the Corporation would prevent any losses and seek to maximize the shareholders' interests under acceptable risk levels.

2. Structure of the risk management organization:

Risk management within the Corporation was assigned to relevant management departments according to their respective duties and roles:

- (1) President's Office: Responsible for business decision making and planning in order to achieve the desired business results and efficiency and reduce strategic risks. Responsible for managing legal risks, ensure compliance to government and supervisory policies, and handle relevant contractual disputes and litigations to reduce legal risks.
- (2) General Affairs Division: Responsible for managing corporate asset risks, evaluate long- and mid-term investment benefits, financial operations, and allocations, establish hedging systems, and ensure the reliability of financial reports. Maintain compliance to government regulations to sustain sustainable corporate management and integrity of corporate assets.

3. Training of the Corporation's directors and supervisors in 2015:

Title	Name	Date of appointment	Date of first appointment	Training date		Organizer	Course title	Training hours	Total training hours for the year
				Starting date	Finishing date				
Corporate Director Representative	HL Chen	June 24, 2015	May 8, 1997	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and statutory regulations	3	12
				November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	
				October 19, 2015	October 19, 2015	Taiwan Academy of Banking and Finance	Activating an enterprise's future competitiveness - Corporate social responsibility (CSR)	3	
				August 13, 2015	August 13, 2015	Taiwan Academy of Banking and Finance	Assessment indicators for corporate governance and response strategies	3	
Corporate Director Representative	Hsien-chang Wang	June 24, 2015	May 8, 1997	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and statutory regulations	3	9
				November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	
				November 6, 2015	November 6, 2015	Taiwan Corporate Governance Association	11th International Summit Forum of Corporate Governance	3	

Title	Name	Date of appointment	Date of first appointment	Training date		Organizer	Course title	Training hours	Total training hours for the year
				Starting date	Finishing date				
Corporate Director Representative	Hsiang-chung Chen	June 24, 2015	January 15, 2014	July 29, 2015	July 29, 2015	Taiwan Corporate Governance Association	Legal responsibilities of directors and supervisors during corporate mergers and acquisitions	3	3
Director	Wei-chun Weng	June 24, 2015	June 5, 2012	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and statutory regulations	3	6
				November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	
Corporate Director Representative	Ming-yu Mao	June 24, 2015	May 8, 1997	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and statutory regulations	3	6
				November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	
Corporate Director Representative	Li-yun Yang	June 24, 2015	June 19, 2009	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and statutory regulations	3	9
				November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	
				June 25, 2015	June 25, 2015	Taiwan Securities Association	Case studies for the prevention of insider trading	3	
Director	Cheng-i Fang	June 24, 2015	October 3, 1983	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and statutory regulations	3	6
				November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	
Independent director	Mao Li	June 24, 2015	June 24, 2015	November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	12
				July 28, 2015	July 28, 2015	Securities and Futures Institute	How to maximize profit improvement capabilities of functional committees under the board of directors	3	
				June 10, 2015	June 10, 2015	Securities and Futures Institute	Investigating the implementation employee remuneration strategies and tools	3	
				April 24, 2015	April 24, 2015	Securities and Futures Institute	Measures and responses to the halved deductible tax of shareholding and share dividend of directors and supervisors	3	
Independent director	Chang-i Chen	June 24, 2015	June 24, 2015	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and statutory regulations	3	9
				December 17, 2015	December 17, 2015	Taiwan Corporate Governance Association	Corporate governance and business risk management	6	
Supervisors	I-teng Cheng	June 24, 2015	June 5, 2012	December 29, 2015	December 29, 2015	Taipei Bar Association	Case studies on the responsibilities of corporate directors and supervisors and	3	12

Title	Name	Date of appointment	Date of first appointment	Training date		Organizer	Course title	Training hours	Total training hours for the year
				Starting date	Finishing date				
							statutory regulations		
				November 13, 2015	November 13, 2015	Taipei Bar Association	Best practices for the operations of the board of directors	3	
				June 26, 2015	June 26, 2015	Taiwan Securities Exchange (TWSE)	Guidelines for implementing training for directors and supervisors for TWSE/GTSM listed companies	6	
Supervisors	Chien-chih Liu	-	-	-	-	-	-	-	-

4. Certification statuses of personnel related to the transparency of financial information as required by the competent authorities:

Title	Name	Date of appointment	Date of first appointment	Training date		Organizer	Course title	Training hours	Total training hours for the year
				Starting date	Finishing date				
Accounting Manager	TK Chin	June 24, 2015	July 30, 2009	October 6, 2015	October 7, 2015	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	6	13
				September 16, 2015	September 16, 2015		Development of IFRS related to financial tools and responses to be taken by Taiwanese companies from the perspective of CPAs	3	
				September 16, 2015	September 16, 2015		Analysis of the latest laws relating to securities and financial taxation	1	
				August 28, 2015	August 28, 2015		Case analysis of corporate data leaks and investigating the legal liabilities prescribed in the newly revised <i>Trade Secrets Act</i>	3	

(9) Implementation of the internal control system

1. Statement on internal controls

MERCURIES & ASSOCIATES, HOLDING LTD  
(Originally MERCURIES & ASSOCIATES, LTD)  
The Statement on Internal Control System

Date: March 31, 2015

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2015:

1. The Company has achieved full understanding that the establishment, implementation, and maintenance of the internal control system (ICS) are the responsibilities of the Company's Board of Directors and managerial officers, and have established the said system accordingly. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. All ICS are bound by natural limitations and regardless of the robustness of designs, effective ICS can only provide reasonable assurance for the 3 objectives listed above. Also, the efficacy of the ICS will also change with the changing environment or context. However, our Company's internal control system has been furnished with self-monitoring systems. The Company shall also initiate corrective actions for any verified defects.
3. The Company shall refer to the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (hereinafter referred to as "ICS Regulations") to stipulate assessment items for determining the effectiveness of the ICS as well as the performance of the designs and implementation of the system. The ICS is divided into 5 key components according to the process of management control to generate ICS assessment items used by ICS Regulations, namely: 1. Control environment; 2. risk assessment; 3. control activities; 4. information and communications and; 5. monitoring activities. Each key component also includes a number of sub-items. For the aforementioned items, please refer to the provisions provided in the ICS Regulations.
4. The Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.
5. The Company has referred to the results of the aforementioned assessments and determined that the Company's ICS of December 31, 2015 (including monitoring and management of its subsidiaries), including our Company's understanding of the level of effectiveness and efficiency of business operations achieved, the reliability, timeliness, transparency, and regulatory compliance of reporting, the compliance with applicable laws, regulations, and

bylaws, are effectively designed and implemented and capable of reasonably ensuring the attainment of the aforementioned objectives.

6. Our Statement shall be a major content of our Company's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contain misrepresentations, nondisclosures, or other illegal acts, our Company shall be subject to legal responsibilities provided in Articles 20, 32, 171,a and 174 of the *Securities and Exchange Act*.
7. We hereby declare that this Statement has been approved by the Board of Directors on March 31, 2016. Amongst the 8 Directors present in the meeting, none held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

MERCURIES & ASSOCIATES, HOLDING LTD



President and General Manager: HL Chen



2. Any CPA commissioned following the requirements of the Securities and Futures Bureau to conduct a project review of the ICS shall disclose the CPA audit report:  
None.

(10) Any legal penalty enacted upon our Corporation and its personnel, or any penalty, major defects, and state of improvements enacted by our Corporation upon its personnel for violating the rules of the ICS during the most recent year up to the publication date of this report: None.

(11) Major resolutions and state of implementation of the Board of Shareholders and Board of Directors in the most recent year up to the publication date of this report:

1. Major resolutions of the Board of Shareholders and state of implementation in 2015:

The annual shareholders' meeting of 2015 of the Corporation was held on June 24, 2015, at 20F, No. 145, Section 2, Jianguo North Road, Taipei City (Mercuries Tower). The following lists the resolutions by the shareholders present at the meeting and corresponding state of implementation:

1. Ratifications

Case 1 (raised by the Board of Directors)

Cause: Ratification of the 2014 Business Report and Financial Statement.

Resolution: This case has been voted and ratified by the shareholders present in the meeting.

Case 2 (raised by the Board of Directors)

Cause: Ratification of the appropriation of net income for 2014

Resolution: This case has been voted and ratified by the shareholders present in the meeting.

2. Elections: (raised by the Board of Directors)

Cause: Election of the 18th Board of Directors (including independent directors) and Supervisors.

Election results: The following lists of the Directors (including independent directors) and Supervisors who have been voted for:

Election type	Name
Director	Representative at Shanglin Touzi Co. Ltd.: HL Chen
Director	Wei-chun Weng
Director	Representative at Shanglin Touzi Co. Ltd.: Hsiang-chung Chen
Director	Cheng-i Fang
Director	Representative at Shanglin Touzi Co. Ltd.: Li-yun Yang
Director	Representative at Shanglin Touzi Co. Ltd.: Ming-yu Mao
Director	Representative at Shanglin Touzi Co. Ltd.: Hsien-chang Wang
Independent director	Mao Li
Independent director	Chang-i Chen
Supervisors	Representative at Shuren Touzi: Chien-chih Liu
Supervisors	I-teng Cheng

3. Provisional motions:

(Shareholders' questions regarding our Corporation's financial statement and operational issues have been addressed by the meeting chairperson)

No other temporary motions were raised by the shareholders present at the meeting. The meeting chairperson declared the conclusion of this meeting.

4. Meeting ended on: 09:34 AM

Note: For the complete meeting records, meeting manual, and supplementary information of this meeting, please visit the Market Observation Post System (MOPS) at:  
<http://mops.twse.com.tw>

2. Review of the state of implementation of resolutions from the previous annual shareholders' meeting:

- (1) Appropriation of net income: Cash dividends for the shareholders and employee bonuses have been issued on September 25, 2015 and August 28, 2015 respectively. The sums issued were the same with those provided in the resolutions of the shareholders' meeting.
- (2) Our Corporation has implemented relevant actions according to the regulations revised by the Board of Shareholders.
- (3) All resolutions from the 2015 annual shareholders' meeting have been implemented accordingly.

### 3. List of key resolutions of the Directors' meeting

Date of key resolution	Content of key resolution	Results of the key resolution
January 26, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Replacement and issuance of shares resulting from the transformation of this Corporation to an investment holding company.</li> <li>2. Revisions to the Corporate Governance Best Practice Principles and stipulation of the Regulations for the Self Assessment and Peer Assessment of the Board of Directors.</li> <li>3. Application of line of credit applications from banking institutions.</li> </ol>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p>
February 13, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Remuneration of managerial officers of our Corporation.</li> <li>2. 2015 budget plan of our Corporation</li> <li>3. Application of line of credit applications from banking institutions.</li> </ol>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p>
March 3, 2015 Provisional meeting	<ol style="list-style-type: none"> <li>1. Capital loans to constituent companies.</li> </ol>	Unanimously approved by all Directors present in the meeting.
March 5, 2015 Provisional meeting	<ol style="list-style-type: none"> <li>1. Capital loans to constituent companies.</li> </ol>	Unanimously approved by all Directors present in the meeting.
March 16, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Capital loans to constituent companies.</li> </ol>	Unanimously approved by all Directors present in the meeting.
March 31, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Appropriation of net income for 2015 of our Corporation.</li> <li>2. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction in our Corporation.</li> <li>3. Stipulation of Enforcement Rules for Personal Information Protection within this Corporation.</li> <li>4. The Statement on Internal Control System of 2014 of our Corporation.</li> <li>5. Replacement of the managerial officer(s) at the Luzhu branch.</li> <li>6. Proposals for our Corporation's Directors, Independent Directors, and Supervisors.</li> <li>7. Convening of the 2015 annual shareholders' meeting for our Corporation.</li> </ol>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p>
May 14, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Cash capital increase proposal for Monteur &amp; Mercuries Co., Ltd. by our Corporation.</li> <li>2. Board of Directors to review the proposed candidates for this Corporation's Directors, Independent Directors, and Supervisors.</li> <li>3. Application of line of credit applications from banking institutions.</li> </ol>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p>
July 2, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Election of the new Chairperson of the Board of our Corporation.</li> <li>2. Appointment of the 3rd Remuneration Committee of our Corporation.</li> <li>3. Replacement of the CPA for our Corporation in response to adjustments to the internal administrative organization of the accounting firm.</li> <li>4. Application of line of credit applications from banking institutions.</li> <li>5. Stipulation of an ex-dividend date for the appropriation of net income for 2014 of our Corporation.</li> <li>6. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction in our Corporation.</li> </ol>	<p>All Directors present at the meeting have unanimously agreed to nominate Shanglin Touzi representative HL Chen as the new Board of Directors Chairperson of this Corporation.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p>
August 14, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Replacement of the managerial officer(s) at the Luzhu branch.</li> <li>2. Application of line of credit applications from banking institutions.</li> </ol>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p>
November 13, 2015 Directors' meeting	<ol style="list-style-type: none"> <li>1. Cash capital increase and subscription plan for Mercuries Life Insurance.</li> <li>2. Syndicated loans primarily handled by Taishin International Bank.</li> <li>3. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction in our</li> </ol>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Unanimously approved by all Directors present in the meeting.</p>



Date of key resolution	Content of key resolution	Results of the key resolution
	Corporation.	
December 29, 2015 Directors' meeting	1. 2016 audit plan of this Corporation. 2. 2016 Directors' meeting schedule for our Corporation. 3. Application of line of credit applications from banking institutions. 4. Stipulation of the Application Procedure for Temporary Suspension and Resumption of Trading for our Corporation. 5. Stipulation of the Capability Assessment for the Independent Generation of Financial Reports for our Corporation. 6. Amendments to articles of incorporation of our Corporation.	Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting.
January 28, 2016 Directors' meeting	1. Remuneration of managerial officers of our Corporation. 2. Application of line of credit applications from banking institutions. 3. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction in our Corporation.	Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting.
March 2, 2016 Provisional meeting	1. Capital loans of this Corporation.	Unanimously approved by all Directors present in the meeting.
March 31, 2016 Directors' meeting	1. The Statement on Internal Control System of 2015 of this Corporation. 2. 2016 budget plan of our Corporation 3. Application of line of credit applications from banking institutions. 4. Endorsements and guarantees of this Corporation. 5. Remuneration for Directors, Supervisors, and managerial officers of our Corporation. 6. Remuneration for employees of our Corporation. 7. Ratification of the 2015 Business Report and Financial Statement. 8. Appropriation of net income for 2015 of our Corporation. 9. Convening of the 2016 annual shareholders' meeting for our Corporation.	Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting.
May 13, 2016 Directors' meeting	1. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction in our Corporation.	Unanimously approved by all Directors present in the meeting.

(12) Any dissenting opinions on record or stated in a written statement made by Directors or Supervisors regarding key resolutions of the Directors' Meeting in the most recent year up to the publication date of this report: None.

(13) Any resignation or dismissal of company personnel related to the financial report (such as chairperson of the board, general manager, accounting manager, financial executive, internal audit manager) in the most recent year up to the publication date of this report: None.

5. Information on the CPA's professional charge:

- (1) Non-accounting service payments to CPA, accounting firm and affiliated businesses of the CPA, professional charges that exceed 25% of the accounting expenses: No such payments have been made. Refer to the following table for details:

Name of the accounting firm	Name of the CPA		Audit period	Notes
BDO Taiwan	Kun-hsi Hsu	Shu-cheng Chang	January 1, 2015 to March 31, 2015	CPAs were replaced from the 2nd quarter of 2015 in response to changes to the administrative organization of BDO Taiwan.
BDO Taiwan	Ke-yi Liu	Kun-hsi Hsu	January 1, 2015 to December 31, 2015	

Professional charge		Accounting charge	Non-accounting charge
Fee range			
1	Less than NT\$ 2,000,000	-	NT\$ 55,000
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000	-	-
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000	-	-
4	NT\$ 6,000,000 (inclusive) to NT\$ 8,000,000	NT\$6,020,000	-
5	NT\$ 8,000,000 (inclusive) to NT\$ 10,000,000	-	-
6	More than NT\$ 10,000,000 (inclusive)	-	-

- (2) Where non-accounting service payments to CPA, accounting firm and affiliated businesses of the CPA, professional charges exceed 25% of the professional accounting charges, the sums for professional charges for accounting and non-accounting services as well as the contents of the non-accounting services provided must be disclosed: Although standards have not been reached, these sums have been disclosed voluntarily.

Non-accounting charge				
System Design	Commercial registration	Personnel resources	Others	Subtotal
	55	-	-	NT\$ 55,000

- (3) Where accounting firm was replaced and the accounting fee paid for the year was less than that of the previous year: None.
- (4) Where the reduction of accounting fee is more than 15% less than that of the previous year: Since our Corporation was transformed into an investment holding company on January 1, 2015, and that the retail business units were ceded to the newly established Mercuries & Associates, Ltd., accounting fees dropped to more than 15% less than accounting fees paid in the previous year.

## 6. Replacement of Accountants:

### (1) Information on the previous CPA

Date of replacement	July 2, 2015		
Cause and details of the replacement	Our Corporation's accounting firm, BDO Taiwan, made adjustments to its administrative organizations. From the 2nd quarter of 2015, CPAs Kun-hsi Hsu and Shu-cheng Chang were replaced with CPAs Ke-yi Liu and Kun-hsi Hsu.		
Any details for the termination or rejection of the commissioner or CPA	Party	CPA	Commissioner
	Status		
	Active termination of the commission	Not applicable	Not applicable
	Rejection (of continuing) commission	Not applicable	Not applicable
Opinion and reason for audit report issued during the 2 most recent fiscal years containing an opinion other than an unqualified opinion	Audit reports with amendments and unqualified opinions have been released. Major long-term equity investments evaluated using the equity method have yet to be audited and attested by the CPAs.		
Any disagreement with the issuer	Yes		Generally accepted accounting principles (GAAP) or activities
			Disclosure of financial reports
			Scope or procedure of audits
			Others
	None	✓	
	Description: Not applicable.		
Other items to be disclosed (items that shall be disclosed as prescribed by Article 10 Paragraph 5 Item 1 Point 4)	None		

### (2) About the successor CPA

Name of the accounting form	BDO Taiwan
Name of the CPA	CPAs Ke-yi Liu and Kun-hsi Hsu
Date of commission	Approved by the Board of Directors on July 2, 2015
Accounting treatment or accounting principle for specific transactions as well as consultation items and results on audit opinions that might be rendered on the financial report prior to formal engagement	Not applicable
Written views on disagreements between the successor CPAs and former CPAs	Not applicable

### (3) Response of the former CPAs regarding Article 10, Subparagraph 5, Items 1 and 2-3 of these standards: Not applicable.

## 7. Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

8. Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report:

(1) List of changes to the equity of directors, supervisors, managerial officers, and major shareholders

Title	Name	2015		As of April 26, 2016	
		Additional (reduction) of shares held	Additional (reduction) of shares pledged	Additional (reduction) of shares held	Additional (reduction) of shares pledged
Chairperson of the Board / Major shareholders	Shanglin Touzi	0	9,600,000	0	3,900,000
Corporate representative of the Chairperson of the Board / Managerial officer	HL Chen	0	(4,000,000)	0	0
Corporate representative of the directors	Ming-yu Mao	0	0	0	0
Corporate representative of the directors	Hsien-chang Wang	0	0	0	0
Corporate representative of the directors	Hsiang-chung Chen	0	0	0	0
Director	Wei-chun Weng	0	0	0	0
Director	Cheng-i Fang	0	0	0	0
Corporate representative of the directors	Li-yun Yang	0	0	0	0
Independent director	Mao Li (Note 2)	0	0	0	0
Independent director	Chang-i Chen	0	0	0	0
Supervisor / Major shareholder	Shuren Touzi	0	0	0	0
Corporate representative of the supervisors	Chien-chih Liu	0	0	0	0
Supervisors	I-teng Cheng	0	0	0	0
Managerial officers	Johnson Wang	0	0	0	0
Managerial officers	TK Chin	0	0	0	0

Note 1: Where the counterparty of equity transfer or equity pledge is a related party, the following table must be completed accordingly.

Note 2: Mao Li was re-elected on June 24, 2015 during the director and supervisor elections. Upon appointment, Mao Li held 32,000 shares and this figure did not change as of April 26, 2016.

(2) Information of the counterparty of equity transfer in the event that the said counterparty is a related party: No such counterparty exists in our Corporation.

(3) Information of the counterparty of equity pledge in the event that the said counterparty is a related party: No such counterparty exists in our Corporation.

9. 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 as prescribed by Statements of Auditing Standards No. 6:

Relationship information between the 10 largest shareholders

April 26, 2016

Name (Note 1)	Shares held by the person (Note 2)		Shares held by spouse or minor children (Note 2)		Shares held in the name of other persons (Note 2)		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship. (Note 3)		Notes
	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Name	Relations	
Shanglin Touzi Representative: Chang-hui Hsu	140,214,249	20.58%	-	-	-	-	Chang-hui Hsu	The Corporation President	
Shuren Touzi Representative: Chao-hsi Weng	96,690,495	14.19%	-	-	-	-	Shufeng Touzi	President Same person	
Shufeng Touzi Representative: Chao-hsi Weng	34,225,142	5.02%	-	-	-	-	Shuren Touzi	President Same person	
Mercury Fu Bao Co., Ltd. Representative: Hsien-chang Wang	32,954,499	4.84%	-	-	-	-	-	-	
HL Chen	18,795,389	2.76%	-	-	-	-	Chang-hui Hsu	1st degree relative	
New employee pension fund	16,475,406	2.42%	-	-	-	-	-	-	
Pension fund management committee of the MERCURIES & ASSOCIATES, LTD. Representative: HL Chen	15,480,941	2.27%	-	-	-	-	-	-	
Chao-hsi Weng	14,751,032	2.17%	13,606,182	2.00%	-	-	Chun-hui Yang	Spouse	
Chang-hui Hsu	14,200,155	2.08%	-	-	-	-	HL Chen	1st degree relative	
Chun-hui Yang	13,606,182	2.00%	14,751,032	2.17%	-	-	Chao-hsi Weng	Spouse	

Note 1: The 10 largest shareholders shall be listed. For corporate shareholders, the title of the corporate shareholder as well as the name of the representative shall be indicated.

Note 2: Shareholding percentage is calculated using the proportion of shares held in the person's own name, the name of his or her spouse, minor children, or in the name(s) of other persons.

Note 3: Shareholders to be disclosed in the preceding item shall include artificial persons and natural persons. Relationships between shareholders shall be disclosed according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

10. Number of shares held and percentage of stake of investment in other companies by the company, the company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the company, and calculations for the consolidated shareholding percentage of the above categories.

Consolidated shareholding percentage

Unit: 1000 shares; %

April 26, 2015 Other companies invested by our Corporation (Note)	Investments by our Corporation		Investments by the Directors, Supervisors, managerial officers, and companies directly or indirectly controlled by this Corporation		Total investments	
	Shares	Percentage of shares	Shares	Percentage of shares	Shares	Percentage of shares
Mercuries& Associates, Ltd.	100,000	100.00%	0	0	100,000	100.00%
Mercuries Data Systems Ltd.	98,505	53.44%	830	0.45%	99,335	53.89%
Mercury Fu Bao Co., Ltd.	236,260	100.00%	0	0.00%	236,260	100.00%
Mercuries General Media, Inc.	4,200	86.96%	0	0.00%	4,200	86.96%
Mercuries Life Insurance	706,079	44.47%	253,005	15.94%	959,084	60.41%
Mercuries Harvest Co., Ltd.	9,000	100.00%	0	0.00%	9,000	100.00%
Napoli Co., Ltd.	49,950	100.00%	0	0.00%	49,950	100.00%
Mercuries Leisure Co., Ltd.	44,895	63.14%	13,153	18.50%	58,048	81.64%
HIPACT TECH. INC.	17	8.61%	156	77.97%	173	86.58%
SCI Pharmtech Inc.	25,236	33.24%	2,015	2.65%	27,251	35.89%
Mercuries Furniture Co., Ltd.	18,000	100.00%	0	0.00%	18,000	100.00%
Tarng Fwu Enterprise Co., Ltd.	270	45.00%	0	0.00%	270	45.00%
WAYIA.COM Inc.	380	1.81%	12,610	60.04%	12,990	61.85%
Fuh Hwa Securities Investment Trust Co., Ltd.	1,064	3.28%	11,888	36.71%	12,952	39.99%
Mercuries Bakery Co., Ltd.	3,209	100.00%	0	0.00%	3,209	100.00%
Asahi & Mercuries Co., Ltd.	10,000	50.00%	0	0.00%	10,000	50.00%
Mercuries Life Insurance Agency	300	100.00%	0	0.00%	300	100.00%
Simple Mart Trading Co., Ltd.	100	100.00%	0	0.00%	100	100.00%
Sanyou Drugstores, Ltd.	17,500	50.00%	0	0.00%	17,500	50.00%
Mercuries FoodService Co., Ltd.	4,982	25.31%	14,697	74.69%	19,679	100.00%
Tasty Noodle Co., Ltd.	5,000	100.00%	0	0.00%	5,000	100.00%
Family Shoemart Co., Ltd.	6,500	100.00%	0	0.00%	6,500	100.00%
Asiandawn Ventures Inc.	4,758	16.62%	21,284	74.34%	26,042	90.96%
Monteur & Mercuries Co., Ltd.	6,000	50.00%	0	0.00%	6,000	50.00%
Mercuries FoodService Japan, Ltd.	2	16.67%	10	83.33%	12	100.00%

Note: The equity method was used to evaluate the Corporation's long-term investments

## IV. Financing

### 1. Capital and shares

#### (1) Source of shares

Units: Shares / Thousand NT\$

Year and month	Price at issuance	Authorized stock		Paid-in capital		Notes		
		Number of shares (shares)	Sum (thousand dollars)	Number of shares (shares)	Sum (thousand dollars)	Source of shares	Equity contributions made in the form of assets other than cash	Others
March 2001	NT\$ 10	550,000,000	5,500,000	464,792,151	4,647,922	Treasury stock extinguished NT\$ 115,760,000	None	Note 1
July 2002	NT\$ 10	550,000,000	5,500,000	478,920,125	4,789,201	Consolidated capital increase NT\$ 141,280,000	None	Note 2
January 2003	NT\$ 10	700,000,000	7,000,000	550,758,144	5,507,581	Recapitalization of retained earnings NT\$ 718,380,000	None	Note 3
August 2003	NT\$ 10	700,000,000	7,000,000	530,758,144	5,307,581	Treasury stocks extinguished NT\$ 200,000,000	None	Note 4
July 2004	NT\$ 10	700,000,000	7,000,000	541,373,306	5,413,733	Recapitalization of capital reserve NT\$ 106,152,000	None	Note 5
August 2008	NT\$ 10	700,000,000	7,000,000	567,864,871	5,678,649	Recapitalization of retained earnings 264,916,000	None	Note 6
December 2008	NT\$ 10	700,000,000	7,000,000	547,973,871	5,479,739	Treasury stock extinguished NT\$ 198,910,000	None	Note 7
September 2010	NT\$ 10	900,000,000	9,000,000	574,973,164	5,749,732	Recapitalization of retained earnings NT\$ 269,993,000	None	Note 8
July 2011	NT\$ 10	900,000,000	9,000,000	608,992,273	6,089,923	Recapitalization of retained earnings 340,191,000	None	Note 9
December 2011	NT\$ 10	900,000,000	9,000,000	606,474,273	6,064,743	Treasury stock extinguished NT\$ 25,180,000	None	Note 10
August 2012	NT\$ 10	900,000,000	9,000,000	630,733,243	6,307,332	Recapitalization of capital reserve NT\$ 242,590,000	None	Note 11
August 2013	NT\$ 10	900,000,000	9,000,000	681,191,902	6,811,919	Recapitalization of retained earnings NT\$ 504,587,000	None	Note 12
November 2013	NT\$ 0	900,000,000	9,000,000	681,382,902	6,813,829	Issuance of restricted employee shares: NT\$ 1,910,000	None	Note 13
May 2014	NT\$ 0	900,000,000	9,000,000	681,380,902	6,813,809	Extinguished restricted employee equities for a capital reduction of NT\$ 20,000	None	Note 14
September 2014	NT\$ 0	900,000,000	9,000,000	681,372,902	6,813,729	Extinguished restricted employee equities for a capital reduction of NT\$ 80,000	None	Note 15
December 2014	NT\$ 0	900,000,000	9,000,000	681,368,902	6,813,689	Extinguished restricted employee equities for a capital reduction of NT\$ 40,000	None	Note 16
May 2015	NT\$ 0	900,000,000	9,000,000	681,358,902	6,813,589	Extinguished restricted employee equities for a capital reduction of NT\$ 100,000	None	Note 17
July 2015	NT\$ 0	900,000,000	9,000,000	681,348,902	6,813,489	Extinguished restricted employee equities for a capital reduction of NT\$ 100,000	None	Note 18
December 2015	NT\$ 0	900,000,000	9,000,000	681,340,902	6,813,409	Extinguished restricted employee equities for a capital reduction of NT\$ 80,000	None	Note 19
March 2016	NT\$ 0	900,000,000	9,000,000	681,339,902	6,813,399	Extinguished restricted employee equities for a capital reduction of NT\$ 10,000	None	Note 20

Note 1: Approved by the Securities and Futures Management Council of the Ministry of Finance (90) *Tai-Tsai-Cheng* (3) Document No. 105029 of February 5, 2001; change approved by the Ministry of Economic Affairs (MOEA) under registration (90) *Shang* Document No. 09001099190 of March 23, 2001.

Note 2: Approved by the Securities and Futures Management Council of the Ministry of Finance (91) *Tai-Tsai-Cheng* (1) Document No. 127622 of May 28, 2002; change approved by the MOEA under registration (91) *Shang* Document No. 09101309080 of July 29, 2002.

Note 3: Approved by the Securities and Futures Management Council of the Ministry of Finance (91) *Tai-Tsai-Cheng* (1) Document No. 164341 of December 9, 2002; change approved by the MOEA under registration (91) *Shang* Document No. 09201030460 of January 27, 2003.

Note 4: Approved by the Securities and Futures Management Council of the Ministry of Finance (92) *Tai-Tsai-Cheng* (3) Document No. 0920130092 of June 30, 2003; change approved by MOEA under registration (92) *Shang* Document No. 09201254010 of August 22, 2003.

Note 2: Approved by the Securities and Futures Management Council of the Ministry of Finance (92) *Tai-Tsai-Cheng* (1) Document No. 0930128435 of June 28, 2004; change approved by the MOEA under registration (92) *Shang* Document No. 09301140420 of July 29, 2004.

Note 6: Approved by the Securities and Futures Management Council of the Ministry of Finance Financial-Supervisory-Securities (1) Document No. 0970032224 of June 27, 2008; MOEA approval provided under Ching-Shou-Shang-Tzu Document No. 09701195410 of August 7, 2008.

Note 7: Approved by the Securities and Futures Management Council of the Ministry of Finance Financial-Supervisory-Securities (3) Document No. 0940156053 of December 8, 2005, and Financial-Supervisory-Securities (3) Document No. 0970048594 of September 5, 2008; MOEA approval provided under Ching-Shou-Shang-Tzu Document No. 09701306190 of December 3, 2008.

Note 8: Approved by the Financial Supervisory Commission, Executive Yuan (FSC) Financial-Supervisory-Securities-Corporate Document No. 0990035004 of July 7, 2010; MOEA approval provided under Ching-Shou-Shang-Tzu Document No. 09901203480 of September 8, 2010.

Note 9: Approved by the FSC Financial-Supervisory-Securities-Corporate Document No. 1000033105 of July 15, 2011; MOEA approval provided under Ching-Shou-Shang-Tzu Document No. 10001194580 of August 22, 2011.

Note 10: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10001289960 of December 26, 2011.

Note 11: Approved by the FSC Financial-Supervisory-Securities-Corporate Document No. 1010028362 of June 27, 2012; MOEA approval provided under Ching-Shou-Shang-Tzu Document No. 10101162180 of August 14, 2012.

Note 12: Approved by the FSC Financial-Supervisory-Securities-Corporate Document No. 1020026595 of July 17, 2013; MOEA approval provided under Ching-Shou-Shang-Tzu Document No. 10201172470 of August 27, 2013.

Note 13: Approved by the FSC Financial-Supervisory-Securities-Corporate Document No. 1020033049 of August 23, 2013; MOEA approval provided under Ching-Shou-Shang-Tzu Document No. 10201239450 of November 27, 2013.

Note 14: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10301092000 of May 23, 2014; approved by Tai-Cheng-Shang-Yi-Tzu Document No. 10300106551 of June 4, 2014.

Note 15: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10301179290 of September 1, 2014; approved by Tai-Cheng-Shang-Yi-Tzu Document No. 10300187251 of September 11, 2014.

Note 16: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10301251070 of December 29, 2014; approved by Tai-Cheng-Shang-Yi-Tzu Document No. 10400002641 of January 7, 2015.

Note 17: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401076760 of May 7, 2015; approved by Tai-Cheng-Shang-Yi-Tzu Document No. 10400091241 of May 15, 2015.

Note 18: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401148210 of July 23, 2015; approved by Tai-Cheng-Shang-Yi-Tzu Document No. 1040015590 of July 31, 2015.

Note 19: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401258180 of December 14, 2015; approved by Declaration Statement No. 104122101 of December 21, 2015.

Note 20: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10501040650 of March 3, 2016; approved by Declaration Statement No. 105031001 of March 10, 2016.

Note 21: The Board of Directors approved the extinguishing of new restricted employee equities amounting to NT\$ 10,000 on May 13, 2016. This change has yet to be registered before the publication date of this report.

## (2) Category of shares

April 26, 2016 Unit: Shares

Category of shares	Authorized stock			Note
	Outstanding shares (note)	Unissued shares	Total	
Registered common	681,339,902	218,660,098	900,000,000	Outstanding stock of a listed company

## (3) Shareholder structure

April 26, 2016 Unit: Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Other artificial persons	Per individual	Overseas institutions and individuals	Total
Number of individuals	2	2	81	25,833	119	26,037
Shares held	16,475,410	1,901,400	356,637,035	259,977,736	46,348,321	681,339,902
Percentage held	2.42%	0.28%	52.34%	38.16%	6.80%	100%



Note: The first TWSE/GTSM listed company and emerging companies shall disclose the percentage of shares held by Mainland Chinese capital. Mainland Chinese capital shall refer to any natural person, artificial person, groups, or other institutions from Mainland China, or any companies in a third party region invested by the aforementioned entities from Mainland China as described by the provisions of Article 3 of the Regulations Governing the Permitting Investments to Taiwan made by Mainland Chinese Persons.

#### (4) Distribution of equity ownership

April 26, 2016 Unit: Shares

Shareholding range	Number of shareholders	Total shares	Percentage of issued shares (%)
1 to 999	12,476	3,027,959	0.44%
1,000 to 5,000	8,905	19,574,360	2.87%
5,001 to 10,000	2,212	16,063,538	2.36%
10,001 to 15,000	814	10,049,634	1.47%
15,001 to 20,000	429	7,772,423	1.14%
20,001 to 30,000	388	9,629,999	1.41%
30,001 to 50,000	335	13,081,887	1.92%
50,001 to 100,000	207	14,354,753	2.11%
100,001 to 200,000	126	17,508,385	2.57%
200,001 to 400,000	61	16,732,288	2.46%
400,001 to 600,000	19	9,688,473	1.42%
600,001 to 800,000	15	10,324,973	1.52%
800,001 to 1,000,000	4	3,520,935	0.52%
> 1,000,001	46	530,010,295	77.79%
Total	26,037	681,339,902	100%

#### (5) List of major shareholders

April 26, 2016 Unit: Shares

Shares	Shares held	Shareholding percentage
Name of major shareholder		
Shanglin Touzi Co., Ltd.	140,214,249	20.58%
Shuren Touzi Co., Ltd.	96,690,495	14.19%
Shufeng Touzi Co., Ltd.	34,225,142	5.02%
Mercury Fu Bao Co., Ltd.	32,954,499	4.84%
HL Chen	18,795,389	2.76%
New employee pension fund	16,475,406	2.42%
MERCURIES & ASSOCIATES, LTD Pension fund management committee	15,480,941	2.27%
Chao-hsi Weng	14,751,032	2.17%
Chang-hui Hsu	14,200,155	2.08%
Chun-hui Yang	13,606,182	2.00%

(6) Market price, net worth, surplus, and dividends for each share

Item \ Year			2014	2015	From this fiscal year to May 15, 2016 (Note 4)
Market price per share	Max		22.25	24.15	21.95
	Min		16.35	15.90	18.05
	Average		19.55	20.24	20.14
Net value per share	Before issuance		17.52	17.02	18.92
	After issuance		16.92	16.42(Note 5)	-
Earnings per share	Weighted average (thousand shares)		642,122	642,122	642,122
	Earnings per share	Before retroactive adjustment	1.96	2.30	0.37
		After retroactive adjustment	-	-	-
Dividend per share	Cash dividend		0.6	0.6(Note 5)	-
	Free allotment	Surplus allotment	-	0.5 (Note 5)	-
		Capital reserve allotment	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on investment analysis	Price-to-earning ratio (P/E) (Note 1)		9.97	8.80	-
	Price-to-dividend ratio (P/D) (Note 2)		32.58	33.73(Note 5)	-
	Cash dividend yield (Note 3)		0.03	0.03(Note 5)	-

Note 1: P/E = Average closing price for each share of the year / Earnings per share

Note 2: P/D = Average closing price for each share of the year / Cash dividend per share

Note 3: Cash dividend yield = Cash dividend per share / Average closing price per share of the year

Note 4: Net value per share and earnings per share (EPS) provided shall be based upon the figures from the latest quarter that have been audited (and approved) by the CPA from the date of publication of this Report. All other fields shall be based upon the information of the current fiscal year for the date of publication of this Report. Share prices on the date of publication of this Report would be those taken on May 13, 2016.

Note 5: Appropriation of net income for 2015 was approved by the Board of Directors on March 31, 2016, and is currently waiting for approval by the Board of Shareholders.

(7) Dividend policy of the company and its implementation

1. Dividend policy of the Corporation: Revisions to the corporation by-laws have been scheduled for review and approval during the shareholders' meeting on June 24, 2016. The following lists the new revisions:

In accordance with Article 25 of the corporation by-laws of the Corporation:

If the Corporation has made a profit, no less than 1% of the said profit shall be set aside for employees' compensation. The Board of Directors shall determine whether to issue the compensation in stocks or cash. Recipients of the said compensation shall include company employees who satisfy specific criteria. The Corporation may refer to the total sum of the aforementioned profit and provide no more than 1% of this sum as the directors' and supervisors' remuneration after resolution by the Directors' Meeting. Proposals for the distribution of employees' compensation as well as directors' and supervisors' compensation shall be submitted to the Board of Shareholders and presented accordingly.

In accordance with Article 25-1 of the corporation by-laws of the Corporation:

Where the annual general final accounts indicate a surplus for the Corporation, the said surplus shall be first used to pay taxes and cumulated losses (dues). The Corporation shall then set aside 10% of the said surplus as legal reserve. Where such legal reserve amounts to the total authorized capital, this provision shall not apply. The rest shall be set aside in compliance with the law or transferred to a special reserve. The remaining sum may be used for paying share dividends. Any additional surplus after these payments shall then be combined into the cumulative undistributed earnings. The Board of Directors shall then propose a plan for the appropriation of net income and raise this plan during the shareholders' meeting to allocate shareholders' share interest payments and bonuses.

The dividend policy of the Corporation shall be based upon current and future development plans, considerations to the investment environment, capital requirements, and domestic and overseas competition. To cater towards the shareholders' interest and other factors, 10% to 100% of the total allotted shareholder dividends for the current fiscal year shall be provided as cash dividends, while 0% to 90% shall be provided as stock dividends.

2. Dividend payout plans proposed during the most recent shareholder's meeting:

The 2015 plan for the appropriation of net income in the Corporation has been approved by the Board of Directors. After certain sums have been set aside for legal reserves and special reserves, a proposal was raised to issue a cash dividend per share of NT\$ 0.6 and a stock dividend per share of NT\$ 0.5. The following table details the 2015 plan for appropriating net income:

## 2015 plan for the appropriation of net income

Unit: NT\$

Item	Sum	
	Subtotal	Total
Undistributed earnings at the beginning of the period		2,766,229,904
Minus: Changes to undistributed earnings of the	(95,169,869)	
Actuarial gains and losses converted into	(2,916,620)	
Addition: Net income after taxes for this fiscal year	1,474,715,268	
Surplus available for allotment		4,142,858,683
Minus: Legal reserves that have been set aside	(147,471,527)	
Minus: Special reserves that have been set aside (Note	(1,346,398,38	
Allotted item		
Shareholders' dividend - cash (NT\$ 0.6 /share)	(408,803,941)	
Shareholders' dividend - stocks (NT\$ 0.5 / share)	(340,669,950)	
Undistributed earnings at the end of the period		1,899,514,878

Note 1: Changes to undistributed earnings of investees include actuarial gains and losses resulting from finalized welfare plans and adjustments to the retained earnings in response to changes of shareholding percentages based on investments calculated using the equity method in the investees.

Note 2: Shareholders' bonuses were prioritized for surpluses generated in 2015, followed by allotment to the special reserve.

3. Material changes for the expected dividend policy: Expected dividend policy of the Corporation will not undergo any major changes.

(8) Impact to the company's business performance and earnings per share (EPS) for free allotment of shares proposed by this shareholder's meeting: None.

Note: The Company has not compiled or announced financial estimates for 2016.

(9) Compensation for employees, directors, and supervisors

1. Quantity or scope of compensation for employees, directors, and supervisors as prescribed by the articles of association:

If the Corporation has made a profit, no less than 1% of the said profit shall be set aside for employees' compensation. The Board of Directors shall determine whether to issue the compensation in stocks or cash. Recipients of the said compensation shall include company employees that satisfy specific criteria. The Corporation may refer to the total sum of the aforementioned profit and provide no more than 1% of this sum as the directors' and supervisors' remuneration after resolution by the Directors' Meeting. (Revisions to the corporation by-laws have been scheduled for review and approval during the shareholders' meeting on June 24, 2016.)

2. Accounting treatment for the basis of estimating the amount of the employees' and directors' compensations, the basis of calculating the number of shares to be distributed as compensation, and for any discrepancy between the actual amount distributed and the estimated figures:

Employees' compensation and the directors' compensation of 2015 to be paid by the Corporation shall be issued in accordance with the corporation by-laws. Where the Corporation makes a profit for the year, no less than 1% of that profit shall be set aside for employees' compensation, and no more than 1% of that profit may also be set aside for the directors' and supervisors' remuneration. Where the sum resolved by the Director's meeting undergo material changes, annual expenses for that year shall be adjusted. Where the issued sum in the shareholders' meeting of the following year, the figures shall be adjusted and entered into account according to the resolutions made during the shareholders' meeting.

3. Employees' compensation as approved during the Director's meeting and other information:

(1) Proposal to issue a directors' and supervisors' compensation of NT\$ 12,500,000 and employees' compensation of NT\$ 16,300,000.

(2) Proposal for the sum of employees' share bonuses to be issued as a proportion of NIAT of this period and a proportion of the employees' total bonuses:

Not applicable. The appropriation of net income of 2015 did not include issuance of the employees' stock dividends.

(3) Compensations to be issued to the employees, directors, and supervisors were considered.

The calculated earnings per share (EPS) was NT\$ 2.30.

4. Actual issuance of the employees' compensation and the directors' and supervisors' compensation in 2014:

The employees' compensation as well as the directors' and supervisors' compensation of 2014 in the Corporation was reviewed and passed during the shareholders' meeting of June 24, 2015. The following describes the actual sums issued:

(1) A sum of NT\$ 11,339,096 each was issued to the directors and supervisors as well as the employees respectively.

(2) The sum actually distributed was consistent with the sum approved during the shareholders' meeting.

(10) Repurchase by the Corporation of its own shares during the most recent fiscal year up to the publication date of this report:

(1) On April 30, 2014, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 2,000 shares.

(2) On August 14, 2014, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 8,000 shares.

(3) On November 14, 2014, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 4,000 shares.

(4) On March 31, 2015, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 10,000 shares.

(5) On July 2, 2015, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 10,000 shares.

- (6) On November 13, 2015, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 8,000 shares.
  - (7) On January 28, 2016, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 1,000 shares.
  - (8) On May 13, 2016, the Board of Directors resolved to repurchase restricted employee equities that have been issued, resulting in the extinguishing of 1,000 shares. This extinguishing of shares have yet to be registered at the publication date of this report.
- 2. Corporate bond (including overseas corporate bonds): Not issued.
  - 3. Preferred shares: Not issued.
  - 4. Overseas depositary receipt: Not issued.
  - 5. Employee stock warrant: Not issued.

## 6. Restricted employee shares:

April 26, 2016

Restricted employee equities and categories	1st (issuance of) restricted employee equities
Date of effective registration	December 12, 2013
Date of issuance	December 26, 2013
Restricted employee equities issued	191,000
Price at issuance	0
Proportion of restricted employee equities issued as a part of total issued and outstanding shares	0.028%
Prerequisites for receiving restricted employee equities	The conditions for employees to receive the shares include a tenure of at least 5 years and continuous work performance assessment of <i>excellence</i> .
Restrictions and privileges for receiving restricted employee equities	<p>(1) To comply with relevant laws, the equities shall only be issued to full-time employees of this Corporation who have attained a certain level of work performance.</p> <p>(2) The quantity of new shares received shall be determined by tenure, grade, work performance, past and expected overall contributions or special achievements, special competences, targets defined by this Corporation, and final approval by the Board of Directors.</p> <p>(3) According to Article 56-1 Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the quantity of new restricted employee equities to be received by a single employee may not exceed 0.3% of the total number of issued shares. Also, according to Article 56 Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the quantity of employee stock option warrants may not exceed 1% of the total number of issued shares.</p>
Safekeeping of restricted employee equities	<p>(1) For employees that do not meet the prerequisite conditions, the shares shall be kept under trust.</p> <p>(2) If restricted employee equities were to be transferred to a trust for safekeeping, this Corporation shall exercise full authority representing all employees to (but not limited to) negotiate, sign, amend, extend, rescind, and terminate trust agreements with the trust agency as well as payment, utilization, and dispose of the entrusted assets.</p> <p>(3) Before attaining the prerequisite conditions, employees receiving the restricted employee equities may not demand the trust agency to return the restricted employee equities in any way or method.</p>
Actions for handling allotments or subscription to new equities by employees who have yet to attain the prerequisite conditions	After receiving restricted employee equities, employees who have yet to attain the prerequisite conditions may have their shares repurchased and extinguished by the Corporation without charge, unless the said employees have special conditions such as retirement, severance, unpaid leave, or received other approvals from the Corporation.
Quantity of restricted employee equities that have been recovered or repurchased	43,000
Quantity of restricted equities that were extinguished	0
Quantity of restricted equities not yet extinguished	148,000
Proportion of restricted equities not yet extinguished as part of total issued and outstanding shares (%)	0.022%
Impact to shareholders' equity	The Corporation has issued 681,340,000 shares, of which restricted employee equities make up 0.028% of total quantity of shares issued. The dilution effects of such equities to earnings per share (EPS) would therefore be limited and would not significantly affect existing shareholder equities.

# Name of managerial staff and top 10 employees who have acquired restricted employee equities, and the state of acquisition

April 26, 2016 Unit: Shares, %

	Title (Note 1)	Name	Restricted employee shares acquired (shares)	Proportion of restricted employee equities issued as part of total equities that have been issued	Restricted equities that were extinguished				Restricted equities not yet extinguished			
					Quantity of shares that were no longer restricted	Price at issuance	Sum issued	Proportion of shares that were no longer restricted as part of total equities that have been issued	Quantity of shares that have remained restricted (shares)	Price at issuance	Sum issued	Proportion of shares that have remained restricted as part of total equities that have been issued
Managerial officers	-	-	-	-	-	-	-	-	-	-	-	-
	-	-										
	-	-										
	-	-										
	-	-										
Employee (Note 1)	Manager	Hui-chu Chien	12,000	0.0018%	-	-	-	-	12,000	0	0	0.0018%
	Store Manager	Yu-chu Lai										
	Store Manager	Pei-min Wu										
	Store Manager	Shu-chen Huang										
	Store Manager	Yu-hsuan Weng										
	Store Manager	Te-lan Lin										

Note 1: The remaining restricted employee equities were issued to other employees in equal numbers that were lower than the quantity received by each of the aforementioned employees.



7. Issuance of new shares in connection with the merger or acquisition of other companies:

The Corporation ceded and transferred assets, liabilities, and operations outside of the scope of the Corporation's investments to a newly established constituent company, MERCURIES & ASSOCIATES, LTD. following the resolutions of the shareholders' meeting of June 20, 2014. The standard date of cessation was set to January 1, 2015. After cessation, transfer, and transformation, the Corporation assumed its new name of MERCURIES & ASSOCIATES, HOLDING LTD.

**Basic information of merged or acquired companies**

Unit: Thousand NT\$

Company name		MERCURIES & ASSOCIATES, LTD
Company address		No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City
Person in charge		Hsiang-fen Chen
Actual paid-in capital		1,000,000
Primary business		<ol style="list-style-type: none"> <li>1. Purchase, sales, and distribution agency services for various products, handicrafts, and specialties from Taiwan and other countries.</li> <li>2. Convenience stores.</li> <li>3. Restaurant services as well as purchasing and sales of various food products, pickles, canned foods, and beverages.</li> <li>4. Processing, production, purchasing, and sales of food gift sets, coffees, and teas.</li> <li>5. Purchasing and sales of clothing, apparel, shoes, accessories, and toys.</li> <li>6. Snack shop operations.</li> </ol>
Major products		Mercuries Noodle, TonKaTsu, DonMono, Pin Chuan Lan, Family Shoes, En Route, and Simple Mart
Financial information of the most recent fiscal year (Note 2)	Total assets	5,355,662
	Total liabilities	4,005,265
	Total stockholders' equities	1,350,397
	Operating revenue	3,877,178
	Gross business profit	1,298,426
	Operating gain (loss)	143,352
	Gain (loss) during this period	112,949
Earnings per share		1.13

Note 1: The value of ceded and transferred assets from the Corporation amounted to a net sum of NT\$ 1,000,000,000. Newly issued common shares of the newly established Mercuries Company was acquired at a price of NT\$ 10 per share to acquire a total of 100,000,000 common shares from the Mercuries Company. January 1, 2015, was selected as the standard cessation date. From this date, the Corporation adopted the name of MERCURIES & ASSOCIATES, HOLDING LTD for trading shares on the TWSE. This has no effect on the net value per share or earnings per share (EPS) listed in the individual financial statement of the Corporation.

Note 2: Financial statement from the 1st quarter of 2016 has been reviewed and approved by CPAs.

8. Implementation of capital application plan

(1) Contents of the plan: None.

(2) Implementation status: None.

## V. Operation summary

After transforming into an investment holding company, the Corporation became an integrated service providers. Primary investees include retail sales of daily commodities, food retail, insurance, pharmaceuticals, and other services (system integration). The following describes the business statuses and details of the aforementioned operations:

### 1. Business content

#### (1) Business scope

1. Primary focus of businesses operated by the Corporation: General investments.
2. Details of primary business operations of companies invested by the Corporation:

#### (1) Retail of daily commodities and food

- Purchase, sales, and distribution agency services for various products, handicrafts, and specialties from Taiwan and other countries.
- Convenience stores.
- Restaurant services as well as purchasing and sales of various food products, pickles, canned foods, and beverages.
- Processing, production, purchasing, and sales of food gift sets, coffees, and teas.
- Snack shop operations.
- Import-export businesses of products related to the aforementioned business operations.
- Commissioning by construction companies and construction firms for the rental and sales of office buildings, public housing, and residences.

#### (2) Life insurance

- Services related to personal insurance listed within the provisions of the *Insurance Act*, including life insurance, health insurance, personal injury protection, pension insurance, universal insurances, as well as personal and group insurance policies for investment purposes.

#### (3) Pharmaceuticals

- Research and development, production, and sales of active pharmaceutical ingredients (API), API intermediates, and specialized and fine chemicals.
- Quotation, tendering, sales agency, and other agency services of local or overseas products as well as product research and development.

#### (4) Others (system integration)

- Manufacturing of computers and peripheral devices, installation of computer equipment, manufacturing of data storage and processing equipment, retail sales of IT software, design, development, production, and sales of automatic teller machines (ATM) and network communication equipment.

### 3. Proportion of each business

Unit: Thousand NT\$

Business item	2014		2015	
	Business revenue	Proportion	Business revenue	Proportion
Retail of daily commodities and food	15,767,448	8.44%	17,206,973	8.92%
Insurance	165,973,874	88.87%	170,547,418	88.38%
Pharmaceuticals	1,561,136	0.84%	1,854,863	0.96%
Others	3,456,721	1.85%	3,358,407	1.74%
Total	186,759,179	100%	192,967,661	100%

### 4. Current products (services) offered by the Corporation

#### (1) Retail of daily commodities and food

- Purchasing and sales of clothing, apparel, shoes, accessories, toys (not including toys related to gambling, sexual, or electronic entertainment, and not including toy guns), remote controlled toys, medical supplies (with the exception of Traditional Chinese Medicine and pharmaceuticals), daily commodities, infant products, cosmetics and beauty products (not including those with pharmaceutical effects), knitted goods, jewelry, accessories, leather cases, antiques, artistic products, carpets, fresh flowers, gifts, clocks and watches, eyeglasses (not including contact lenses), photographic tools, porcelain, pottery, and tools.
- Serving of fast food that includes noodles, rice, fried pork chop, Japanese bento sets, and pizzas.
- Branded footwear, apparel, and accessories are from local or overseas companies.

#### (2) Life insurance

- Personal insurance: Includes lifetime insurance, lifetime insurance in foreign currencies, whole life insurance, and whole life insurance in foreign currencies.
- Personal health insurance: Includes hospitalization and medical care insurance, cancer insurance, and whole life medical and healthcare insurance.
- Personal accident protection: Personal accident protection and travel insurance.
- Personal pension insurance: Immediate annuity insurance, pension insurance with floating interest rates, and deferred annuity insurance.
- Investment insurance: Variable annuity insurance, variable annuity insurance in foreign currencies, and variable life insurance.
- Group insurance: 1-year term group insurance, group health insurance, and group injury protection.

#### (3) Pharmaceuticals

- API: Valporic acid (VA) and Allopurinol.
- API intermediates: Diethyl dipropyl malonate (DEDPM) and 1-phenyl-1-propanone (PPON).
- Specialized chemicals: 7 chemicals, including diethyl ketone (DEK)

#### (4) Others (system integration)

- Services for financial businesses (software and hardware planning, development, and setup services for financial IT systems), system integration (software and hardware planning, development, and setup services for IT system projects), product services (technical support and system integration services for automated financial and

commercial equipment), engineering repairs and maintenance (maintenance and repairs for IT system software and hardware).

#### 5. Development projects for new products (services)

##### (1) Retail of daily commodities and food

For 2016, this Corporation shall continue to expand the retail market to develop a diverse and enriching selection of new products. Storefront channels shall be further expanded to achieve better penetration with consumers in residential areas, respond to changes of market trends, and make continuous improvements to product categories and structural adjustments in order to maintain competitiveness and achieve further improvement to market share.

##### (2) Life insurance

To cater towards the transforming social structure, Mercuries Life Insurance shall continue to develop various life insurance products while concentrating in generating added value for its products which include. These measures include: payment for small claims, free health examinations for a period of 3 years, multi-functional overseas service cards, and competitive housing loans. The aim is to provide fellow citizens with the most comprehensive coverage while improving the quality of life of our clients. Increasing popularity of cloud technology meant that digital services would be gradually replacing manual processes. Insurance companies, including Mercuries Life Insurance, have thus released a number of creative digital services. We have committed our efforts in promoting convenient and easy-to-use e-services for our clients that allow them to simply peruse details of our insurance policies or make instant changes to personal information and files by going online. The e-service also allows clients to refer to their own policy loans, automatic payment statuses, accurately assess the progress of claim applications, or even to flexibly make adjustments to the proportion of investments in their personal accounts, thereby making work processes more mobile while transferring customer services to cloud. This Corporation also initiated plans and dedicated efforts to develop diverse marketing channels as well as cross-selling of financial products to generate greater economic benefits and higher levels of customer satisfaction.

##### (3) Pharmaceuticals

New product name	New product description
MTMS	APIs
PMDOL	API intermediate
Olivetol	API intermediate

##### (4) Others (system integration)

The following products have been developed for the financial industry to help clients integrate various processes, reduce labor and costs, and to improve the competitiveness of products and services offered by this Corporation: Card-free ATM with Finger Vein technology, card-free cash withdrawal using mobile APP on cellphones, joint development platforms for ATM APP, management platform for ATM sales channels, DMS (automated equipment monitoring and management system), and other novel products and services. Non-financial products include: M2O mobile marketing service platform, serviceJDC (cloud service for work dispatching), live auctioning media

advertisement projection technology, 5th generation occupational safety video surveillance management system for construction sites, next gen stock management system (SKMS), and other novel products and services. In the future, we shall continue to concentrate on developing application system platforms for various software and hardware equipment. We shall maintain our commitments to product R&D to come up with new solutions to satisfy customer requirements, maintain our competitive advantages, and achieve the ultimate goal of becoming a pioneer in this industry.

## (2) State of the industry

### 1. Current state and development of the industry

#### (1) Retail of daily commodities and food

Both the economy and national income have increased in the last 20 years. This is also accompanied by changes to Taiwan's industrial structure, with manufacturing industry gradually giving way to the service sector. Statistics from the Department of Statistics, Ministry of Economic Affairs (MOEA), showed that the service sector accounted for 62.79% of the national GDP in 2015. GDP share of the service sector and the value it generates will only continue to grow. Services offered will become increasingly diverse as market competition intensifies. This Corporation's commodity retail BU can be divided into department stores, supermarkets, retail franchises, and hypermarkets. This sector is characterized by large variety of products as well as high levels of overlapping, leading to high levels of mutual supplementation and replacement. Hypermarkets have grown rapidly in recent years with the formal opening of new large-scale shopping centers. While this may have increased market competition, it also expanded the scale of the market as well. Overseas food service franchises have begun to enter the Taiwanese market while more and more establishments are offering unique and exotic cuisine and dining options. These trends have intensified competition in the food services industry.

#### (2) Life insurance

Statistics from the Taiwan Insurance Institute (for details, refer to the table below) showed positive growth in total premium income in every year from 2005 to 2015 with the exception of the 2011, which was hit by a double-dip recession and the European sovereign debt crisis, resulting in a 4.96% reduction of premium income when compared to that of 2010. In general, the life insurance sector in Taiwan have exhibited stable growth.

Statistics on premium income in Taiwan

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total premium income (hundred million NT\$)	14,578	15,637	18,751	19,188	20,066	23,128	21,982	24,784	25,835	27,711	29,267
Growth rate (%)	11.41	7.26	19.91	2.33	4.58	15.26	(4.96)	12.75	4.24	7.26	5.61

Source: Taiwan Insurance Institute (TII)

Market penetration of Taiwan's life insurance companies (as assessed by the proportion of premium income as part of the GDP) is remarkably high. Despite this, average coverage per individual remained low, showing that most people still preferred

insurance products that offered return on principals or functioned like a fixed deposit. However, such products offered lower levels of insurance payments and lacked adequate protection. Families are having fewer children and society is aging rapidly. There are still opportunities in Taiwan's life insurance market. Insurance companies will continue to actively invest in R&D to develop traditional life and health insurance products to cater to the segregated market requirements and pension insurance products that cater to the aging society. All these are key areas of product development efforts within the insurance industry.

### (3) Pharmaceuticals

Global population continues to grow along with the proportion of the elderly folk as well as average income per capita of people living in emerging markets. All these have led to steady and significant growth of the global pharmaceutical market. Major pharmaceutical companies in Europe and America have continued to streamline production capacities in order to reduce costs, with particular focus on the 2 major activities of R&D and marketing for greater added value. Such companies therefore expanded their purchasing and subcontracting efforts from Asian companies. Mainland China also continued to reform its healthcare systems. In early 2013, the Chinese government announced its biotechnology development plan with the aim of transforming its biotech industry into a crucial pillar of domestic economy. The Chinese 13th Five-Year Plan will also intensify medical and healthcare system reforms with key efforts that include enforcement of revised policies in public hospitals and integrating of medical, nursing, and caretaking services into one package to establish a senior citizen service system. These observations provide many opportunities to Taiwan's biotech industry, which is blessed with advanced levels of technological sophistication and cost efficient measures.

The Taiwanese government has gradually invested in biotech industries with phase-based policy programs such as key national development plans, biotech island project, and stipulation of the Act For the Development Of Biotech And New Pharmaceuticals Industry and the Diamond Promotion Plan for the Biotechnology Industry. Results for some of these efforts are already evident. Additional efforts such as the signing of cross-Strait collaborative agreements on healthcare matters, Taiwan's membership in PIC/S (ahead of Japan and Korea), joint formation of Diamond Bio Fund Inc. by major corporations in Taiwan, establishment of the Taiwan Research-based Biopharmaceutical Manufacturers Association (TRPMA), and formation of clinical trial alliance with 11 countries that include the UK, the US, and Japan are expected to provide Taiwan's biomedical industry with ample and great opportunities for further development.

The biotech industry is Taiwan's only industry with laws dedicated to rewarding R&D investments. The government has already released many important policies to establish technical, R&D, capital, and other business infrastructure needed for this industry. It is believed that the new government will introduce even more measures and resources upon assuming office in 2016 to transform Taiwan's biotech into another trillion dollar industry after the semiconductors and optics sector.

### (4) Others (system integration)

With the arrival of an era of thin profits, financial institutions found it necessary to look for means to reduce costs and automate their processes. These efforts would allow financial institutions to focus their workforce on personal finances and private banking services that provide greater added value. Under such contexts, the demand for automatic teller machines (ATMs) in financial institutions has only increased. The number of ATMs as well as ease-of-use would be key considerations of the customers when they select their desired banks. Providing customers with ATM services with added convenience, speed, reliability, and functions would be key between competing banks and financial institutions. With the dawning of Bank 3.0, various financial institutions have started to establish fully automated banks, strengthen teller operations and services, and replace old ATM units with newer ones. Such trends brought great potential for the ATM market.

To provide services for financial ATM systems, we began providing distribution agency services to products from Philip, IBM, Siemens, HITACHI, OMRON, and other leading brands. As of 2010, we have acquired the financial BU of HITACHI-OMRON in Taiwan to become the sole agent of automated financial products offered by HITACHI-OMRON in the country. We also made significant contributions towards financial service automation through over 40 years of service. We occupy an important leadership position for ATM and financial terminal systems in Taiwan. Our ATM units with cash deposit / recycling functions have occupied the largest market share in Taiwan.

Financial system integration has become more complex due to the growing number of automated financial service systems. Software and hardware coordination, stringent security controls, comprehensive and flexible functional designs, and highly reliable operational environments are also required by automated financial services. System integrators and service providers have therefore become key subcontractors capable of leading overall market development. Major system integration projects successfully carried out by this Corporation include ticketing systems for mass rapid transit and the 2010 Taipei International Flora Exposition, trunked radio systems for Taiwan Railways Administration, coastal radar systems for the Coast Guard Administration, and treasury surveillance systems for construction sites and banks. This Corporation also offer comprehensive and integrated sales, installation, and warranty services for the distribution and marketing of IT products such as servers and storage equipment by working with leading companies from around the world such as ORACLE, HP, and EMC. Our experiences in large scale integration of public transportation, ticketing, telecommunications, and surveillance systems provided another niche of development outside our standard business focuses of automated financing. This Corporation has become the best partner for many government agencies and corporate enterprises.

Traditional manual ticket sales and inspection systems employed by public transport systems were no longer capable of handling the massive increase of the commuting population, necessitating the integration of automated services for public infrastructure systems. An alternative would be automated service systems that offer reliable and easy-to-use functions. This Corporation currently has 14 service centers under major primary system integrators for the financial, telecommunication, and public

transportation sectors. We have over 200 maintenance engineers capable of providing our clients with prompt and professional repair services. We also enjoy continuing trust from numerous clients in government agencies, banks, postal services, the telecommunication industry, and the education sector. Such reliance and confidence would be the elements sustaining competitive advantages for our Corporation.

## 2. Correlation with upstream, midstream, and downstream sections of the industry

Category		Upstream	Midstream	Downstream
Retail of daily commodities		Manufacturers, agents, distributors, and logistics service providers	Retailers	End consumers: Companies or individuals
Food retailers		Raw material suppliers	Research and development, production, and sales of food and beverages	End consumers: Companies or individuals
Insurance		Direct personal insurance for individuals or groups, or procurement of insurance policies from insurance agents or proxies	Personal insurance	After acquiring insurance payments, part of the capital will be re-insured for risk diversification. Other capital will be invested in financial markets to acquire profits.
Pharmaceuticals		Pharmaceutical APIs include natural products and general chemicals.	API companies usually synthesize APIs using biological or chemical means.	Pharmaceutical preparation companies would process APIs into various dosage forms such as capsules or creams for easier consumption or application
Others (System integration)	Automated financial services	Deposits, withdrawals, cash recycling modules as well as cash boxes, safes, and industrial computers.	Manufacturing and testing of ATMs and other products	Setup, installation, connection, testing, and maintenance services for banks and financial companies
	System integration services	Software development, product agency, solution provision, and supply of IT-related equipment	System analysis and testing	System setup, maintenance, and training → Financial institutions and government agencies
	Repairs and maintenance	System setup, equipment provision, and maintenance personnel	-	Regular maintenance and repair services → Banks and Department of Rapid Transit Systems

## 3. Product development trends and competition

### (1) Retail of daily commodities and food

Value and number of employees in the service sector have continued to increase. To build competitive advantages, operational activities will focus upon economies of scale, franchise development, product differentiation, and gradual development of the business ecology. Economies of scale would allow companies to pursue long-term development provided that capital is not a problem. These approaches allow companies to introduce overseas technologies and lower operational costs. Franchise development establishes a standard procedure for creating new storefronts to achieve rapid expansion to the desired business scale and reduce goods purchasing costs. Differentiation, on the other hand, refer to identifying target and niche markets in a competitive environment to sustain business profitability.

### (2) Life insurance

Statistics from insurance associations showed that insurance payments at the beginning of 2015 amounted to NT\$ 1,022,956 million, of which a total of NT\$ 395,193 million (38.63%) could be attributed to the marketing system of the insurance company while NT\$ 571,595 million (55.88%) was attributed to bank channels. Only NT\$ 56,168 million (5.49%) could be attributed to traditional insurance representatives or agents.



Banking channels became the primary source of premium income due to the overall economic environment such as lackluster performance of the overall economy as well as low savings interest rates in banks. Products with floating interest rates or those that offer better investments became popular among the consumers. Statistics on insurance categories showed that annual premium income for general life insurances and personal pension payouts made through banks have greatly exceeded that of insurance companies. However, insurance companies have remained the primary sales channel for traditional products such as health insurance and accident protection. To maintain and increase premiums from new insurance contracts, companies have dedicated vast amounts of resources to developing and sustaining new sales channels. The following describes the trends in sales channel development:

#### A. Traditional sales personnel

In response to the financial crisis and IFRS4, European insurance companies are facing massive pressure due to large withdrawals from their liability reserves. Since 2008, a number of overseas insurance companies such as ING, Prudential, TransGlobe, and MetLife began initiating partial or complete withdrawals of their operations in Taiwan. The withdrawal, transfer, or sales of overseas companies in Taiwan as well as recent developments in various sales channels such as cross-sector partnerships and cross-selling within corporations have significantly reduced the survivability of insurance sales personnel. Insurance companies, however, must rely on proper human resource management to achieve sustainable development. One cannot ignore the fact that new insurance contracts generated through personnel sales tend to contribute higher profitability. Insurance companies therefore released various financial subsidies as well as a series of image advertisements to younger recruits for their sales staff. Insurance companies would still require active recruitment in order to effectively improve their competitiveness.

#### B. Banks

Rapidly growing premium income for banking channels could be primarily attributed to the impacts caused by the financial crisis. Public attitudes toward investments became increasingly conservative. In response to these trends, banks introduced short-term insurance policies such as endowment insurances and deposit insurances, variable interest rate products, investment products, and mortgage life insurances that feature relatively lower risks. The public also demonstrated increasing acceptance and purchasing intent for insurance products, with people actively inquiring banks for information on these products. It was easier to achieve successful sales through bank consultants compared to insurance sales personnel. Products marketed through banks were no longer restricted to investment or financial products. This made sales channels through banks a lot more flexible while allowing insurance companies to market products that benefit financial structures more, providing improvements to consumers, banks, and insurance companies alike. As the insurance market continues to mature and as we enter an aging society, more post-retirement plans and products as well as long-term care insurance will be released. Advantages of both banks and insurance companies shall be leveraged to attract an increasing number of clients.

### (3) Pharmaceuticals

Statistics from the United Nations showed that world population has reached the 7 billion milestone. This figure is expected to reach 9.5 billion by 2050. Overall demands for pharmaceuticals and medicine are intimately connected to population growth. Historical data demonstrated stable development of sales that is less affected by the overall economic environment. Medical and healthcare expenses have grown together with national income following rapid development of emerging economies. This had driven increased demands which helped sustain the growth of the global pharmaceutical market. In 2014, the global pharmaceutical market was worth about US\$ 1.1 trillion, a 6.9% growth compared to 2013. Estimates by professional institutions show an average compound annual growth rate (CAGR) of about 5 to 6%, reaching a size of US\$ 1.6 trillion by 2016. The active pharmaceutical ingredients (API) market, currently worth about 10% of the preparations market, would grow with the latter.

By 2018, the value of the global pharmaceutical market would be NT\$ 1.28 to 1.31 trillion dollars, with generic drugs accounting for 60 to 70% of this market. The size of the generic drugs market has continued to grow every year, primarily due to the fact that generic drugs would seize market shares upon the expiration of drug patents. Also, in an effort to reduce medical costs, medical institutions would also switch to generic drugs once they became available. Estimates by professional institutions estimated that patent drug companies would have lost US\$ 34 billion in sales in 2014, which was lower than the US\$ 55 billion lost following expiration of drug patents in 2012, but higher than the US\$ 28 billion in 2013. This figure is expected to reach US\$ 66 billion in 2015. When faced with such massive losses in sales, patent drug companies also began to cross over into the generic drugs market in order to sustain their market share after patent expiration. Due to the intensified competition in the generic drugs market, there has been a large number of mergers of generic drugs companies with patent drug companies. For example, the Indian pharmaceutical company Sun Pharmaceuticals Industries agreed to acquire Ranbaxy Laboratories, a fellow competitor from India, at US\$ 4 billion. The merged company would be India's largest pharmaceutical company sporting a revenue of US\$ 4.2 billion. Mylan Inc., a major generic drugs manufacturer in the United States, also made plans to acquire Meda AB, another generic drug company in Sweden. Professional market analysts believe that there is a high chance for this merger to be approved. Novartis also agreed to acquire anti-cancer products from GSK for US\$ 14.5 billion. Novartis also planned to sell its animal health business unit to Eli Lilly and Company for US\$ 5.4 billion.

Intense competition in the pharmaceutical preparations market also affected the development of API companies. The primary cause was price competitions between Chinese and Indian API companies. Companies from both countries enjoy advantages of a massive domestic market and planned support from the government, and their price competition may lead to reduced sales and competitiveness of API companies in other countries.

### (4) Others (system integration)

#### A. Automated financial services

The added convenience and efficiency provided by automated financial service machines (such as ATMs) is more than evident. Following the integration of financial holding companies, large scale deployment of automated service units to replace traditionally manual processes has become an inevitable trend to improve process efficiency and reduce costs. Banks have thus installed large number of ATM units and developed new locations to improve service coverage. This measure was demonstrated by the increasing number of convenience stores, subway stations, and fast food stores furnished with ATMs. Replacement of aging units and demands for improving the functions of new ATMs are expected to generate new business opportunities for the market of automated financial service machines. In recent years, this Corporation has actively marketed the SR 7500, the latest cash recycling ATM offered by Hitachi-Omron. This new model offers energy saving and environmentally friendly features as well as ultra large capacity banknote boxes to reduce the frequency of cash replenishment / unloading required. Graphic-based troubleshooting guides for bank personnel were also provided, allowing quick and easy identification and elimination of root causes of problems, reduce ATM downtime, and improve ATM utilization efficiency. To date, over 1,500 units of SR 7500 as well as 3,000 units of CZ-5000T have been sold. Cash recycling ATM is thus becoming the most popular type of ATM sold on the market with a growing market share. To introduce products with differentiating advantages and create new markets, this Corporation also actively introduced deposit machines. These units could support logistics, department stores, and franchises and capable of establishing direct connections with the bank. Unlike solutions provided by other providers which could only take in bank notes, the deposit machines provided by this Corporation could take both coins and banknotes, and help clients reduce expenses incurred by providing needed security for physical banknotes.

Also, in order to satisfy the 7X24 uninterrupted service required of the financial sector, this Corporation also introduced the Virtual Teller Machine (VTM) that is based upon the concept of remote and smart video-based banking services. Bank customers could use specific VTM equipment to contact and interact with tellers in customer service centers via verbal, video, or operational interfaces in order to complete their desired transaction.

To help financial companies develop digital financing and smart branches, this Corporation also actively developed total solutions for branch expansions. Our proprietary branch reception system and smart branch solution helps branch tellers to gain an understanding of customer requirements before they arrive at the branch. Interactive multimedia visual displays could also be used to improve the promotion of financial products and the image of banking services.

Teller Cash Recycler (TCR) was also introduced as an answer for convoluted cash handling in branch offices. TCR equipment allows tellers to quickly authenticate banknotes, calculate the total value, and arrange them accordingly. TCRs could also promptly determine current banknote levels in various branches and notify the headquarters of this information to achieve more efficient cash management and deployment.

Taiwan's banking market is becoming increasingly saturated and competitive for

financial service providers, leading to reduced profitability. Future trends would therefore include integration and total solutions for comprehensive financial service provision for financial companies.

#### B. System integration services

System integration services focus largely upon financial, public transportation, telecommunications, education, and fire safety sectors. To provide customers with better services, this Corporation introduced the concept of Major Accounts and providing customers with Total Solutions. Our clients' future business directives and development strategies were analyzed in order to provide this Corporation with estimates of potential business volume and state of competition. An Account Manager responsible for handling this client shall provide Integrated Services and accumulate experiences through the process. Focus clients were developed to gain complete understanding of the clients' business activities and identify subcontracting opportunities for IT projects. These measures also allow this Corporation to avoid unfamiliar projects from unfamiliar clients as well as any hidden risks. As globalization becomes increasingly intense, every company has devoted itself to expanding their business development capabilities. Many hoped to acquire new information technologies to support and release new services, which led to dramatic increases in subcontracting of IT operations. As companies pursue greater degrees of specialization, professional subcontracting services will continue to enhance business processes and provide added value while cloud computing facilitate process subcontracting of data centers. IT subcontracting service demands would continue to increase as companies seek to simplify data security management. For computer system integrators, trends such as mobile products, cloud computing, and Big Data have become the future of development. As information volume continues to expand, data security will become an increasingly important issue faced by business owners. Only companies capable of gaining an understanding of market dynamics and continue to enhance their own professionalism could respond to the overall environment and initiate corresponding development.

#### C. Repairs and maintenance:

Automated equipment or systems are expected to be used for an extended period of time. Regular maintenance and repairs would be the prerequisites ensuring that automated machinery and equipment could perform normally and reliably in business activities carried out by the company. Increasing reliance on automation equipment also meant growing dependence on maintenance and repair services. The market for such services will only increase as clients in various industries pursue greater degrees of automation. The level of understanding of the mechanical structure of the automation equipment, availability of spare parts and adequacy of supplies, and the professionalism and deployment of repair personnel would greatly affect the quality of maintenance and repair services provided. A great majority of such services are provided by the original equipment manufacturer or setup service provider, and these companies tend to face less competition. This Corporation has over 30 years of actual experience in maintenance and repair services and has established 14 service stations throughout the country (including Kin men, Penghu, and other remote islands),

establishing a comprehensive repair and maintenance network capable of providing prompt services to customers in order to secure greater market share.

(3) Technologies and recent R&D efforts:

1. R&D investments made in the most recent fiscal year up to the publication date of this report

Unit: Thousand NT\$

Category \ Year	2015	From this year to March 31, 2016
Retail of daily commodities and food	727	158
Insurance	30,980	7,850
Pharmaceuticals	35,391	10,862
Others (system integration)	114,769	27,709

2. Technologies or products successfully developed in the most recent fiscal year up to the publication date of this report

(1) Retail of daily commodities and food

Food retail services under this Corporation referenced different seasons and seasonal produce as well as the demographics of areas around the stores to develop new menus. Customer opinion and feedback were used to adjust product flavors in order to cater to market requirements.

(2) Life insurance

Year	Name of insurance
2015	Mercuries Life Insurance (MLI) - Ping'an Jiujiu - Whole life health insurance with disability care (PAD)
	MLI Ping'an Jiujiu - Rider to the whole life health insurance with disability care (PADR)
	MLI Whole life insurance with added principal repayment (JBL)
	MLI Xiangmeixin - USD whole life insurance with added value (SMC)
	MLI Meishishuangshou - USD whole life insurance with floating interest (MLDS)
	MLI Anxinmei - USD waiver of premium rider (MCWPR)
	MLI Zhen'ci'ai - USD waiver of premium rider (MKWPR)
	MLI Xiangshou - Deferred annuity insurance (GDA)
	MLI Xinshiji - Classic variable universal life insurance (DSVUL)
	MLI Xinshiji - Upgraded variable universal life insurance (USVUL)
	MLI Xinshiji - Added value variable life insurance (LSVL)
	MLI USD major disease whole life health insurance (MDD)
	MLI Xinjiabei - Whole life insurance (SJB)
	MLI Zhenmeiman - Variable whole life insurance with USD interest (JMM)
	MLI Youlifengshou - Variable universal life insurance with foreign currency
	MLI Youlifengshou - Variable universal life insurance
	MLI Youlimanyi - Variable universal life insurance
	MLI Youlimanyi - Variable universal life insurance with foreign currency (EFVUL)
	MLI Shijimanyi - Variable annuity insurance
	MLI Shijifengshou - Variable life insurance
	MLI Xin'an Jiujiu - Disability care whole life health insurance (XAD)
	MLI Internet coverage for accident protection of drivers (IAD)
	MLI Youlifengshou - Variable annuity insurance
	MLI Youlifengshou - Variable annuity insurance for foreign currency
	MLI Youlimanyi - Variable annuity insurance (EVA)
	MLI Youlimanyi - Variable annuity insurance for foreign currency (EFVA)
	MLI Youlifuyu - Variable universal life insurance (USVUL)
	MLI Youlifuyu - Variable universal life insurance for foreign currency (CFVUL)
	MLI Youlifuyu - Variable annuity insurance (CVA)
	MLI Youlifuyu - Variable annuity insurance for foreign currency (CFVA)
	MLI San'an Rensheng - Whole life health insurance with multiple protection and major diseases
	MLI San'bao Rensheng - Whole life health insurance with multiple protection and major diseases
As of May 3, 2016	MLI Yongbao Ankang - Whole life cancer insurance (UBAC)
	MLI Youli Wenying - Variable universal life insurance (WVUL)
	MLI Youli Wenying - Variable annuity insurance (WVA)
Year	Name of insurance

As of May 3, 2016	MLI OIU <i>Meiman Yisheng</i> - Variable whole life insurance with USD interest
	MLI Xinmeili - Whole life insurance with USD (MSJB)
	MLI Serious disease whole life health insurance policy rider - Class B (ZDDBR)
	MLI <i>Youlifuyu</i> - Variable universal life insurance (USVUL)
	MLI <i>Youlifuyu</i> - Variable annuity insurance (CVA)
	MLI <i>Youlifuyu</i> - Variable universal life insurance for foreign currency (CFVUL)
	MLI <i>Youlifuyu</i> -Variable annuity insurance for foreign currency (CFVA)
	MLI <i>Youlimanyi</i> - Variable universal life insurance (EVUL)
	MLI <i>Youlimanyi</i> - Variable annuity insurance (EVA)
	MLI <i>Youlimanyi</i> -Variable universal life insurance with foreign currency (EFVUL)
	MLI <i>Youlimanyi</i> -Variable annuity insurance for foreign currency (EFVA)
	MLI <i>Xinbeili</i> -Whole life insurance (SBL)

### (3) Pharmaceuticals

Trial production of new products	Commercialized mass production of new products
MTMS PMDOL SCi-902 SCi-923	Atomoxetine

### (4) Others (system integration)

Ever since the first ATM was installed at the Bank of Taiwan in 1978, this Corporation committed itself to the development, sales, and maintenance of automated equipment operating systems for banks, teller terminal connection systems, and other integrated products and solutions. For over 30 years, we not only secured market share in IT services for the financial sector, but also system integration and development for telecommunications, public transport, education, and other public agencies and institutions. We also developed and released server transaction platforms and distributed mobile surveillance control and application systems according to customer requirements.

Our system R&D departments focused on user requirements as well as future market trends and development during the software development process. Solutions that have been developed include automated financial services (joint development platforms for ATM applications, ATM marketing control platform, and DMS automated equipment monitoring and control system) and system integration services (5th generation occupational safety and health video monitoring control system, fire safety rescue 3D simulation and training system, and radio communication systems for vehicle deployment).

### (4) Long- and short-term business development plans

#### 1. Retail of daily commodities and food

##### (1) Short term plans

- A. Image enhancement: Improve the customers' identity with franchise brands to improve the number of customers.
- B. Profitability improvements: Establish proprietary brands, adjust commodity structure, and improve stock turnover.
- C. New product development: Extensively review popular trends and consumer requirements to introduce or develop new products and attain a larger market share.
- D. Cross-sector partnerships and joint marketing.

(2) Long-term

- A. Strengthen personnel training to improve quality of service and storefront management capacities.
- B. Train business management cadets as reserve human resources for diversified development programs initiated by this Corporation.
- C. Collaborate with overseas technology and introduce new management techniques to improve existing processes and business competitiveness.
- D. Compile know-how from existing franchises to develop new business models and enter new markets.

2. Life insurance

(1) Short term plans

Achieve in-depth understanding of the needs and characteristics of various demographics and provide the most comprehensive policy available. In addition to enhancing marketing efforts toward targeted demographics for specified products and maintain stable profits, this Corporation will also actively develop new products and expand business opportunities for new target demographics. Taiwan is becoming an aging society and related issues have begun to surface. To accommodate to the requirements of the aging population, this Corporation has continued to develop products for (or similar to) long-term care. Currently marketed products include long-term or whole life insurance, whole life insurance for individuals afflicted with certain diseases that offers annual endowments, and whole life insurance for the disabled with annual payments for disability care. This Corporation will continue to provide various insurance products for (or related to) long-term care according to the needs of the market and to improve the protection granted to fellow citizens. In addition to traditional insurance policies, this Corporation has continued to introduce investment products linked to assets listed in the separate accounts established for the interests of the insurance applicant or beneficiary or bonds on the international board utilized or managed by enterprises approved by competent authorities or those concurrently engaged in discretionary investment services in order to expand the market for investment-linked insurances and provide a solution for the insured in allocating their investments. Professionals will refer to the investment characteristics of the insured to determine allocations as well as annotated terms of various systems to satisfy the requirements of the insured.

(2) Long-term

This Corporation has referenced the policy of competent authorities and market requirements to develop foreign currency insurance policies, integrated accident insurances, integrated healthcare insurances, and novel investment insurance and annuities. We have continued to develop innovative offerings and improve strategic products that offered significant contributions while ensuring steady business expansion. The 3 primary sales channels, namely insurance personnel, banks, and diverse marketing, were employed to improve the competitiveness and performance of our marketing channel as we pursue our business objectives of steady and sustainable growth. As cloud technology becomes more prevalent, we also actively developed digital as well as cloud-based services and tools for building a highly efficient organization armed with marketing tools to generate higher levels of effectiveness and

competitive advantages.

### 3. Pharmaceuticals

#### (1) Short term plans

Continue to improve the development of new markets for pharmaceutical products. The active pharmaceutical ingredients (API) industry is characterized by high barriers to entry and stringent regulations. Expanding the API market will help improve the future competitiveness of products provided by this Corporation.

#### (2) Long-term

- A. Develop and ensure proper marketing of new products, especially for specialized APIs and new drugs.
- B. Expand the customer base, especially the world's top 20 pharmaceutical companies and new drug development companies that demonstrate good potential.
- C. Continue to improve upon production processes, apply for niche patents, and improve production efficiency.

### 4. Others (system integration)

Marketing plan	Short-term plans	Mid- and long-term plans
Customer aspect	<ul style="list-style-type: none"> <li>◎ Employ the concept of Major Account to target high quality clients that would provide continuous and stable sources of revenue.</li> <li>◎ In addition to solutions, provide support to customers in system operations.</li> </ul>	<ul style="list-style-type: none"> <li>◎ Introduce Business Process Outsourcing (BPO) as an extension to the Major Account concept.</li> <li>◎ Setup customer-oriented and customized systems to establish a comprehensive system database.</li> </ul>
Product aspect	<ul style="list-style-type: none"> <li>◎ Include domestically produced goods to provide products with competitive pricing.</li> <li>◎ Improve core competitive advantages of quality, date of delivery, and cost.</li> </ul>	<ul style="list-style-type: none"> <li>◎ Improve the proportion of domestically produced parts for ATMs.</li> <li>◎ Promote core products and core services to provide better professionalism and added value.</li> <li>◎ Improve R&amp;D standards and capabilities to support new product development.</li> <li>◎ Provide diverse selection of cloud applications and services.</li> <li>◎ Continue to expand and develop new business models to create product differentiation and value.</li> </ul>
Market aspect	<ul style="list-style-type: none"> <li>◎ Continue to expand markets in Taiwan, Southeast Asia, and Mainland China to secure higher market shares.</li> <li>◎ Improve technical exchanges with other companies to promote technological development and product applications, and to better satisfy market requirements.</li> <li>◎ Actively support new product development to expand upon the existing scope of business.</li> </ul>	<ul style="list-style-type: none"> <li>◎ Find more qualified suppliers to expand product source.</li> <li>◎ Establish horizontal or vertical integration built upon mutual trust and profitability to create a close-knit supply chain management system.</li> <li>◎ Improve profitability of core businesses through strategic alliances with both competing and non-competing companies.</li> <li>◎ Promote competitiveness in response to globalization and to promote strategic alliances with local and overseas companies.</li> <li>◎ Establish cross-Strait work specialization and continue to expand the overseas market.</li> </ul>



## 2. Market, production, and sales

### (1) Market analysis

#### 1. Areas of sales (provision) of primary products (services):

##### (1) Retail of daily commodities and food

This Corporation's business focuses include retail sales of daily commodities, souvenirs, daily necessities, food, beverages, and other products. These products have been sold to various counties, cities, and towns throughout Taiwan.

Statistics on sales performance (by region) in 2015

Unit: Thousand NT\$

Region	Retail of daily	Percentage
Taipei, Keelung, Yilan, and Hualien	8,698,989	50.55%
Taoyuan, Hsinchu, and Miaoli	2,616,723	15.21%
Taichung, Changhua, and Nantou	2,332,303	13.55%
Yunlin, Chiayi, and Tainan	1,229,689	7.15%
Kaohsiung and Pingtung	1,519,798	8.83%
Overseas and Mainland China areas	643,109	3.74%
Subtotal	17,040,611	
Others	166,362	0.97%
Total	17,206,973	100.00%

##### (2) Life insurance

A total of 5 branch offices and 273 communication areas have been established in Taipei, Taichung, Chiayi, Tainan, and Kaohsiung. Service areas cover the entire country. MLI became a listed company on December 18, 2012, and began deploying its resources to expand markets for annuity and retirement pension insurance in Mainland China and overseas areas. The number of sales personnel grew to 20,043 as of the end of December 2015, which was the 2nd highest growth rate in the insurance sector which also made MLI the 5th largest insurance company in terms of personnel. Also, regional headquarters for Taoyuan and Hsinchu were established in February 2012. Business was divided between the 4 regions of Taipei, Taoyuan and Hsinchu, Taichung, and Tainan to promote cultural interaction. These 4 regions engaged in cultural exchange and shared a common identity while competing and collaborating with each other.

##### (3) Pharmaceuticals

Statistics on sales performance (by region) of SCI Pharmtech in 2015

Unit: Thousand NT\$

Business areas \ Year		2015	
		Sales volume	Percentage (%)
External sales	Europe	671,158	37.07
	Americas	521,670	28.81
	Asia	383,266	21.17
	Others	63,488	3.51
	Subtotal	1,639,582	90.56
Internal sales		170,919	9.44
Total		1,810,501	100

##### (4) Others (system integration)

Product sales in the 3 most recent fiscal years occurred in the domestic market. In 2015, domestic sales revenue reached 98.16% of the entire year, while overseas sales was about 1.84% which largely focused upon Mainland China and Southeast Asia. If sales regions were defined using product categories, then sales and services of

automated financial services and system integration would be scattered throughout the entire country. Major clients include banks, government agencies, public and private enterprises throughout the country, and other sales systems.

## 2. Market share

### (1) Retail of daily commodities and food

Information released by the Department of Statistics, Ministry of Economic Affairs (MOEA), showed that the business revenue for convenience store franchises, clothing and accessories retail, and food businesses amounted to NT\$ 249,127,834,000, NT\$ 231,646,974,000, and NT\$ 424,064,853,000 respectively in 2015. In 2015, this Corporation's revenue from daily commodities and food retail in Taiwan amounted to NT\$ 12,863,426,000 and NT\$ 3,534,075,000 respectively, which accounted for 2.68% and 0.83% of total national revenue from convenience store franchises and clothing and accessories retail as well as food retailers respectively.

### (2) Life insurance

Statistics from the Taiwan Insurance Institute (TII) on 25 insurance companies in Taiwan for premium income in 2015 were referenced. The following lists premium incomes and market shares of major competitors of MLI:

Premium income and market share of local insurance companies in 2015

Unit: Hundred million NT\$

	Company name	2015			Company name	2015	
		Sum	%			Sum	%
1	Cathay Life Insurance (Note 1)	6,527	22.30	15	BankTaiwan Life Insurance	314	1.07
2	Fubon Life Insurance (Note 2)	4,744	16.21	16	Yuanta Life (Note 9)	310	1.06
3	Nanshan Life Insurance	4,426	15.12	17	PCA Life Assurance (Note 3)	235	0.80
4	Shin Kong Life Insurance	2,278	7.78	18	Hontai Life	184	0.63
5	China Life Insurance Company (Note 3)	1,622	5.54	19	ACE Life	160	0.55
6	Chunghwa Post	1,509	5.15	20	Prudential	147	0.50
7	<b>Mercuries Life Insurance</b>	<b>1,373</b>	<b>4.69</b>	21	First-Aviva (Note 10)	118	0.40
8	CTBC Life Insurance (Notes 4 and 5)	1,362	4.65	22	Cigna Taiwan	103	0.35
9	Allianz (Note 6)	948	3.24	23	AIA Group Insurance	72	0.25
10	TransGlobe Insurance (Note 7)	785	2.68	24	Chaoyang Life (Note 11)	56	0.19
11	BNP Paribas Cardif	705	2.41	25	ZURICH (Note 12)	0	0.00
12	Taiwan Life Insurance	553	1.89	26	Global Life (Note 1)	-	-
13	Farglory Life	422	1.44	27	Singfor Life (Note 1)	-	-
14	BNP Paribas Cardif TCB Life (Note 8)	315	1.08				

Source: TII quick report on premium income

Note 1: Global Life and Singfor Life were merged with Cathay Life Insurance on July 2015.

Note 2: ING Life Taiwan was formally merged with Fubon Life Insurance in June 2009.

Note 3: With the exception of bank and telemarketing channels, PCA Life Assurance has transferred all businesses to China Life Insurance Company in February 2009.

Note 4: MetLife was sold to CTBC Life Insurance in March 2011.

Note 5: Manulife was merged with CTBC Life Insurance in January, 2014.

Note 6: HSBC Insurance was merged with Allianz in June 2013.

Note 7: Kuo Hwa Life was merged with TransGlobe Insurance in April 2013.

Note 8: BNP Paribas Cardif TCB Life was a joint venture between Taiwan Cooperative Bank and BNP Paribas Group that was approved and established in December 2009.

Note 9: New York Life Insurance changed its name to Yuanta Life in February 2014.

Note 10: Aviva plc changed its name to First-Aviva in October 2009.

Note 11: Sinon Life changed its name to Chaoyang Life in September 2010.

Note 12: ZURICH re-established its Taiwanese operations in January 2009.

### (3) Pharmaceuticals

A. Major global supplier of A. PEB.Na, 5-HMT, PGA, VA, NaVA, Di-VNa, and HOCLQ.

B. This Corporation is the only supplier of intermediates for controlled drugs such as Pent-2, NBE, S-2, AL-1, and EPMA.

C. Information on the market share of other products are limited, making estimates

difficult to obtain.

#### (4) Others (system integration)

Statistics from the Banking Bureau of the Financial Supervisory Commission, Executive Yuan, showed that there are approximately 27,300 units of ATMs in Taiwan. ATMs provided by this Corporation account for 33.59% of these units, making us the primary supplier of ATMs in the market.

### 3. State and growth of market supply and demand

#### (1) Retail of daily commodities and food

Retail of daily commodities has underwent the competitive phase and is now entering the maturation phase. Competitors come not only from department stores but also from hypermarkets, shopping centers, and personalized stores as a result of the extensive homogeneity and replaceability of the products. Economic growth and changes to the industry drastically increased the number of people who eat outside their homes, providing a huge business opportunity for the food service industry. Primary customers of fast food franchises include office workers. Major competitors include Chinese and Western-style fast food companies such as McDonald's, KFC, Pizza Hut, Mos BURGER, Yoshinoya, and Formosa Chang. Convenience stores such as 7-11 and FamilyMart also became competitors as these stores began introducing fresh food products and provided seats and tables for customers dining-in.

#### (2) Life insurance

Year	2011	2012	2013	2014	2015
Population (thousand individuals)	23,225	23,316	23,374	23,404	23,463
National income (million NT\$)	12,025,315	12,214,545	12,757,990	13,799,534	14,558,395
Number of effective contracts (thousand)	50,130	51,969	53,681	54,041	55,010
Effective contractual coverages (million NT\$)	38,974,259	39,985,230	41,061,271	41,338,590	42,054,222
Total premium (million NT\$)	2,198,173	2,478,337	2,583,532	2,771,130	2,926,677
Insurance coverage (Note)	215.84%	222.89%	229.67%	230.91%	234.46%
Prevalence (Note)	324.10%	327.36%	321.85%	299.57%	288.87%
Premium as a proportion of national income	18.28%	20.29%	20.25%	20.08%	20.10%
Economic growth	4.92%	1.26%	2.23%	3.74%	0.75%

Source:

Population size, national income, and economic growth: Directorate-General of Budget, Accounting and Statistics (DGBAS) of the Executive Yuan

Number and coverage of effective contracts, and total premium: Taiwan

Insurance Institute (TII)

Note:

Number and coverage of effective contracts: Only life insurances and annuity insurances were included

Coverage rate: Number of effective contracts (only life insurances and annuity insurances) / Population size

Prevalence: Coverage of effective contracts (only life insurances and annuity insurances) / National income

The table above shows that coverage rate in 2015 grew slightly compared to 2014 and demonstrated increasing trends. These observations indicated that demands for insurance products are increasing slowly amongst Taiwanese people. For future market requirements, loosening of legal restrictions and changes to the financial environment would allow insurance companies to release new insurance products. In addition to traditional products, new investment-linked insurance products as well as principal guaranteed products were constantly developed to supply market demands. The aging population and changing demographics will also lead to a gradual and inevitable increase for medical insurance and home care insurance products. Given these limitless potential in insurance requirements, this Corporation will promptly design first-rate insurance products to meet the market demands to benefit both the insured as well as the insurance companies.

### (3) Pharmaceuticals

Overall demands for pharmaceuticals will continue to grow given the medical advances and increasing population in emerging countries as well as aging populations and rising medical expenses in developed countries. Average compound annual growth rate (CAGR) from 2008 to 2014 was about 4.9%. CAGR from 2014 to 2018 was estimated to increase slightly to 5 to 6%. By 2018, the global pharmaceutical market is expected to be about US\$ 1.8 trillion, with the biggest market in North America which will account for 40% of the market share. Pharmaceuticals are basically composed of active pharmaceutical ingredients (APIs) and excipients. APIs would be the chemical component that perform the desired pharmacological actions. CAGR of the API market was similar to that of the pharmaceutical market, and account for about 10% of the entire pharmaceutical market. Total global sales in 2014 amounted to about US\$ 126 billion for a CAGR of about 6.5%, and is expected to reach nearly US\$ 190 billion by 2020. Operational strategies for this year as well as short-term and mid-term business plans of SCI Pharmtech shall focus on APIs, key intermediates, and other upstream products of the pharmaceutical industry. The company will optimize product portfolio, develop new products, expand customer base, and develop extensive partnerships in order to reduce the impact of business fluctuations, achieve better profitability, and improve the position of the company within the sector.

### (4) Others (system integration)

This Corporation is an important system integrator within Taiwan. As computer products become increasingly complex, it became more important for the functions to be integrated to provide mutual support. Governments have continued to actively pursue total digitalization and improve public ease of use, and initiated various large scale system setup or integration projects in financial and public service sectors. The successful completion of these projects relied on system integrators who would provide comprehensive solutions. Many recent large scale integration projects could testify to this requirement. As the economy continues to recover, public infrastructure projects would be enlarged to drive internal demand. Overall market demands for computer system integration services were expected to grow rapidly. In order to provide customers with a safe and reliable computer system, this Corporation has established a total of 14 service locations throughout the country. Plans were made with future projects to establish new maintenance and repair service offices in other counties and cities, and ensure that dedicated and quality services are available throughout the year and throughout the country. Excellence in technical support will become key in determining the winner amongst competing system integrators.

## 4. Positive and negative factors affecting competitive niches and long-term development, as well as response strategies

### (1) Retail of daily commodities and food

#### A. Competitive niche and positive factors:

- a. The overall service sector will undergo active development. As more goods are imported at lower costs, MERCURIES & ASSOCIATES, LTD. will continue to leverage its advantages in sales channels to introduce novel products from overseas to improve sales volume and revenue.
- b. Economic growth and rapid increase of purchasing capacities in Mainland China transformed the country into the world's largest consumer market. Similar language and cultural backgrounds with Mainland China would allow MERCURIES & ASSOCIATES, LTD. to simply replicate its successful experiences in franchise development in Taiwan in this emerging market and

develop new business opportunities.

B. Disadvantages

- a. Relatively higher fixed costs for storefront management (labor costs, rents, and depreciation). This may easily lead to losses during economic downturns or changes to commercial districts. High turnover of sales personnel would also affect service quality.
- b. High homogeneity and replace ability of products have led to intense competition between different companies. Factors such as price competition within the sector, companies from other sectors competing for market share, and convenience stores and vendors competing for the food service market have fragmented the market and reduced profitability.

C. Response strategies

- a. In the face of competition, this Corporation shall improve product structure, introduce new products from overseas, and create effective market segregation. Additional measures include improvements to service quality, deployment of novel service models, build differentiators, and enhance added value to avoid price competition.
- b. Careful selection of storefront locations to reduce operation costs. Improve personnel training and welfare to reduce turnover and maintain service quality.
- c. Work with networks and home deliveries to develop new products and improve added value for the target channel.

(2) Life insurance

A. Competitive niche and positive factors:

- a. Diversify marketing channels and expand both the quantity and quality of customer exposure interfaces for insurance products.
- b. Loosen restrictions for capital utilization amongst insurance companies to improve capital utilization rates and competitiveness of the insurance company.
- c. Simplified review processes of insurance companies by the competent authorities will expedite the release of new products.
- d. Growing demands for medical and healthcare products and services would lead to potentially high demands for medical insurance as well as home care insurance.
- e. Release of new investment-linked products would satisfy the requirements of the insured with varying degrees of risk tolerance.
- f. The Internet era would lead to increases in digital sales and service requirements.
- g. Issues caused by the aging society and low birth rates will continue. The market for retirement pensions would become a key focus.

B. Disadvantages

- a. Liberalization of fees have intensified competition amongst insurance companies and increased the pressure of operational expenses.
- b. The era of low assumed interest rates and high premiums would lead to increased difficulties for marketing traditional life insurance products.
- c. Competent authorities may establish increasingly stringent regulatory requirements for products.

C. Response strategies

- a. Improve asset and liability coordination and management to reduce potential financial and sales risks.

- b. Promote diversification of sales channels and expand the sources of sales contact and interfaces.
- c. Release a diverse and comprehensive selection of insurance products so that the insured could acquire the needed protection within a single purchase.
- d. Uphold the business culture and principle of *Commitment and Friendship for Life* to acquire the support of the insured.

### (3) Pharmaceuticals

#### A. Competitive niche and positive factors:

##### a. Aging demographic and gradually increasing standards of living

The world's population is becoming an aged society. Demand for various drugs will continue to increase as the population ages, providing API companies located upstream or mid-stream of the pharmaceutical supply chain with a vastly increased and growing market scale. More and more countries are placing greater importance on healthcare. In order to make healthcare resources available to most people and improve overall healthcare quality, governments had enacted policies or legislation to lower and control drug prices and medical expenses. Such policies and legislations will lead to increased demands for generic drugs. API developers would also continue to search for low cost solutions and collaborate with API producers that could achieve processing quality that complies with international standards. This measure would help future marketing and development efforts within this Corporation.

##### b. Government focus and consultation

Various countries around the world have listed biotech and pharmaceuticals as a key item of development, offering companies with rent subsidies and other incentives to facilitate the development of the entire industry. The use of generic drugs, which offer good quality at competitive costs, is becoming increasingly common, leading to dynamic growth for the market of generic drugs and an opportunity for API producers in Taiwan to expand their share in the world market. This Corporation would therefore enjoy an advantage in developing its global API market.

#### B. Disadvantages

##### a. The small scale of API companies in Taiwan and the limited capacity of the domestic market meant that the competitive niche offered in Taiwan could not compare to competitors from Mainland China or India. Taiwan's government also tend to neglect the API industry as it believes that R&D efforts in this sector were not compliant to the requirement of advanced innovations and rejected the motion of providing funding and establishing relevant statutes applicable for innovations within this industry.

##### b. Current scale of revenue seemed insignificant when compared to that of the global pharmaceutical market. There will be no advantages in adopting competitive strategies that involve economies of scale.

#### C. Response strategies

##### a. Establish a quality system compliant to international quality standards and select products carefully to segregate the market. This Corporation has continued to provide intense employee training programs for many years. America's GMP and the EU ICH Guidelines provided the referential basis for establishing quality systems and rules of factory operations. In 2001, this Corporation received ISO 9001 certification and passed site audits by the US

FDA and EU EDQM. Product quality and quality systems have also been acknowledged by major international pharmaceutical companies. This Corporation also utilized raw materials from Mainland China and other regions that offer lower costs in order to synthesize key intermediates and APIs with high added value. These products could then be marketed to Europe, the US, and other countries with stringent quality requirements as we build a competitive niche.

- b. Work with the original drug developers to enter the patented drug market which offered greater profits. Results of these efforts have now become increasingly obvious. Plans were made to provide API products with high added value or proper sterilization to acquire price differentiation, establish a market foothold, and find opportunities of growth instead of engaging in price competition with companies from Mainland China or India.

(4) Others (system integration)

A. Competitive niche and positive factors:

- a. This Corporation has more than 30 years of experience in the ATM market, providing extensive technical foundations for the development of ATM software as well as technical competences required for independent design and manufacture of ATMs. These features allow this Corporation to fulfill the customers' standards and requirements for technical support, product functions, and operational reliability.
- b. Banks have already started to replace manual labor with automated equipment as a key cost reduction strategy. This would increase the banks' demands for ATM, cash deposit machines, and passbook entry machines.
- c. The establishment of financial holding companies would necessitate improvements to service quality and reduction of operational costs to achieve proper competitiveness. Banks will thus invest heavily into automation and digitalization solutions.
- d. CD/ATM requirements in Mainland China and Southeast Asia are growing rapidly. Strategic alliances are being formed with major companies around the world for the joint sales of ATMs and to increase the scale of the entire market.
- e. Public agencies are looking for the means of improving efficiency and lowering costs, which led to growing demands for system integration at increasingly larger scales. Many projects would involve setup work throughout the entirety of Taiwan. Although large amounts of labor, resources, and time would be required to setup a comprehensive service network, the completed network would be able to provide real-time services and improve customer confidence and dependence on this Corporation. Mercuries Data Systems Ltd. (MDS) has already established maintenance and setup systems throughout Taiwan (including offshore islands).
- f. Services to public transport companies include metro construction. Operational routes include multiple lines in Taipei City, the red and orange metro lines in Kaohsiung, and the Airport Access MRT currently under construction. Plans have been initiated to create the Phase 2 Taipei Metro Circular Line, the Wanda Shulin Line, and Taichung Metro. Other potential metro systems in Taoyuan and Hsinchu areas were also looked into. All these would require expanded ticketing services and communication systems.
- g. Certifications to standards such as ISO 9001, CMMI Level III, and ISO 27001

were already acquired. Our capabilities in quality control and enforcement have been certified to international standards, and our ability to handle large-scale system integration projects has been widely recognized.

- h. Completion of large-scale integration projects will provide this Corporation with additional experiences in the actual practice of system integration.
- i. Once the warranty period expires for large-scale integration and setup projects, this Corporation would be in the most favorable position in securing contracts for subsequent maintenance and repairs, allowing us to improve revenue and profitability through the provision of maintenance services.

B. Disadvantages

- a. Changes to the models of automated financial machines would lead to increased costs in hardware provision and maintenance.
- b. Reduced profitability due to price competition within the industry.
- c. Increasing difficulty in identifying all possible risks before the tendering process due to growing complexities of large-scale public projects.

C. Response strategies

- a. Actively invest in product agencies or development for online banking or banking service systems that offer faster and easy-to-use solutions. Conduct R&D to include a number of online banking functions within CD / ATMs.
- b. Develop differentiated products that include: Deposit machines, Finger Vein card-free withdrawals, and mobile APP on cellphones for card-free cash withdrawal.
- c. Reduce the proportion of simple hardware sales for system integration services and instead focus upon Total Solutions (that include system setup and integration, customization of system software and hardware, and post-sales maintenance).
- d. Carefully review and apply for large-scale public work and projects to secure revenue with better profitability from subsequent maintenance and other related business opportunities.
- e. In order to reduce risks from partnering suppliers after obtaining the tender, the said suppliers shall provide a certain percentage of the sales fees as the bid bond and the warranty bond.

(2) Major uses and production process of the primary products

1. Retail of daily commodities and food

The newly established MERCURIES & ASSOCIATES, LTD. mainly focuses on food services as well as retail sales of daily commodities and food products. With the exception of food services that involve simple processing activities, all other products are considered finished goods that do not require further processing and therefore lack any production processes.

2. Life insurance

(1) Major uses of the primary products:

The first step was to plan for different types of insurance products. Clients facing potential life or financial risks could use these products to alleviate the burden or financial loss resulting from the said risks if they actually occur.



Type of insurance	Product introduction	Major use or function
Personalize	A contract where payment is provided upon the death or survival of the insured.	Payments for insurance claims or mitigation of economic losses were provided for the death or survival of the insured.
Personal health insurance	A contract where payment is provided if the insured experience any financial loss resulting from disease or medical procedures.	Provide indemnities for the insured for any loss of income or medical expenses incurred as a result of disease or medical procedures.
Personal accident protection	A contract where payment is provided if the insured is involved in an accidental injury that results in bodily harm.	Provide indemnities for the insured for any disability, death, loss of income, or medical expenses incurred as a result of accidental injury.
Personal annuity insurance	A contract where payments at regular intervals are to be provided to the insured while he or she lives or during other specified periods.	The contract can be divided into the accumulation period and the annuity distribution period. The insured must provide payments during the accumulation period to build the value of the policy. The insured will then start to receive annuity payments (distribution period) after a certain number of years have passed or when the insured reaches a certain age. Such payments help to provide economic protection and quality of life of the insured (annuitant).
Investment insurance	A contract where the insured invests in a valued investment fund or structural bond with the value of his or her insurance policy. Payments will be provided to the insured according to the contractual terms after the contractual period has been met or when an insurance peril has occurred.	Payments for insurance claims or mitigation of economic losses were provided for the death or survival of the insured. The amount covered will be affected by the performance of the investment made by the insured.
Group insurance	A contract where a group was regarded as the insured in order to cover the personal safety of every member within the group.	This provides a fair and reasonable distribution of insurance payments and economic loss for members of any group that share common interests to provide economic protection and safeguard the quality of life of the insured.

(2) Production process:

- A. Initial ideas: The Product Development Consultation Committee (PDCC) would reflect gaps in the product portfolio or market trends of this Corporation to sales supervisors or their representatives in order to revise products currently being marketed or provide a reference for designing new products.
- B. Evaluating the potential for commercialization: Initial ideas must thoroughly evaluate statutory regulations, product positioning, sales channels, profit analysis, actuarial studies, and re-insurances to determine the feasibility of creating a viable product based upon the idea.
- C. Submit results to the internal product evaluation task force meeting to finalize product details: Once product proposals have been finalized, they will be submitted to the internal product evaluation task force meeting for discussion. Necessary revisions would then be carried out to finalize the payment details, product characteristics, and name of the new insurance product.
- D. Formulating contractual terms and description of the calculations: Contractual terms and calculation descriptions shall be formulated according to relevant laws and product designs, and must be reviewed and approved by qualified members of the actuarial, approval, security, claims, legal, and investment departments as part of the stringent product quality controls.
- E. Product review and submission to the competent authorities for approval or filing: The approved product must then be reviewed and ratified by the competent authorities before it may be marketed and sold. For use-and-file products, the product must be submitted to the competent authority for review within 15 working days after the product has been sold.
- F. Preparation for sales: Before the new insurance product can be released, the sales departments (banking insurance department for banking insurance products, group

insurance department for group insurance products, and diverse marketing department for products sold at airports, e-business, or telemarketing) shall hold a product management task force meeting. Meeting agenda will include a review of contractual problems and coordination of activities with various departments.

- G. Sales preparations (applicable for investment-linked policies connected to overseas structured products): Before investment-linked policies connected to overseas structured product can be sold, a product review task force shall be responsible for holding and recording a product review meeting for the structured product according to the *Review Standards for Overseas Structured Products* stipulated by this Corporation. The distributor or general representative of the overseas structured product shall be notified after review and approval. If non-professional investors was commissioned or targeted for sales, the distributor or general representative shall provide a public announcement 2 business days before actual sales in compliance with the relevant regulations.

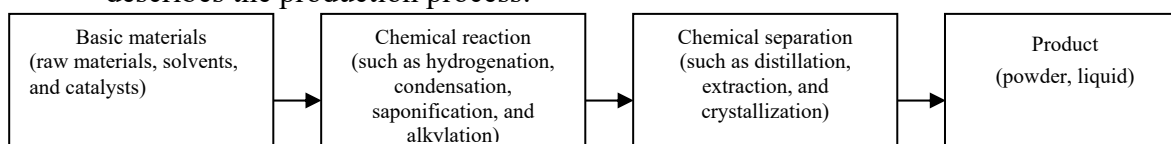
### 3. Pharmaceuticals

#### (1) Major uses of the primary products:

	Name of the major product	Primary purpose
APIs	VA	Antiepileptic and anticonvulsant
	Di-VANa	Antiepileptic and anticonvulsant
	Propafenone	Cardiac dysrhythmia
	Methylphenidate	Anti-ADHD
	Duloxetine	Antidepressants
	Cyclophosphamide	Antitumor agent
	Loxoprofen	Antipyretic and analgesic agent
	Articaine HCL	Anesthetic
	HOCLQ-sulfate	Malaria
	Brinzolamide	Glaucoma
	Atomoxetine	Anti-ADHD
API intermediate	Pent-2	Anesthetics
	PGA	Antiparkinson medication
	NBE	Soporific and anesthetics for surgery
	5-HMT	Anti-HIV
	BOV	Steroids
	(S)-MMAA	Antidepressants
	HOCLQ	Antimalarial
	Prop-3	Cardiac dysrhythmia
	Thiazole acid	Antitumor agent
	S20/38	Antitumor agent

#### (2) Production process:

All these products were produced using chemicals available on the market as raw materials. Various chemical processing (such as hydrogenation, alcoholysis, esterification, saponification, and alkylation) were employed to create unrefined products which would then undergo purification (such as distillation, extraction, and crystallization) to create purified products of an acceptable grade. The following describes the production process:



#### 4. Others (system integration)

Product name	Primary purpose
Automated financial services (ATM system)	Automation services for financial institutions such as deposits, withdrawals, printing of passbook entries, and transfers to improve customer service efficiency and quality.
System integration services	Provide customized software programming services to build a communication channel between the hardware and user and to provide specialized functions desired by the customer.
Maintenance and repairs	Provide customers with user support and post-sales services for products sold by Mercuries Data Systems Ltd. (MDS).

Note: According to the industry categories of Taiwan Stock Exchange (TWSE), this Corporation would be considered an IT service provider in this sector, and therefore lack production processes.

#### (3) Supply of primary raw materials:

##### 1. Retail of daily commodities and food

These companies would be classified as integrated service providers. There are no shortages in the supply of raw materials for the food service sector (such as flour, meat, and cheese).

##### 2. Life insurance

Not applicable for the insurance sector.

##### 3. Pharmaceuticals

Raw materials used by this Corporation for this sector would be chemicals sold on the market that are in no risk of supply monopoly. The following table describes the supply of main materials:

Main material	Name of the main supplier	State of supply
Diethyl malonate	Nantong Chengxin, Tiande Banghai	Good
Allyl chloride	Mitsubishi, Qingtai (DAISO)	Good
Sodium ethoxide	Nantong (Fangyou)	Good
Sodium	DuPont, Nisso Shoji (MSSA)	Good
Triethyl orthoformate	Nantong Chengxin, Linshu Huasheng	Good
Bromoethane	Weifang Longwei, Nantong Longsheng	Good
Methyl propyl ketone (MPK)	Eastman	Good
Ethyl cyanoacetate	Nantong Chengxin, Tiande (Weifang)	Good
AEHPA	Nansong	Good
DCQ	Nantong (Chongqing Kangle)	Good

#### 4. Others (system integration)

Name	Major source	State of supply
Automated financial services: Automatic teller	Import agent	Normal
System integration services	Import agent or local purchase	Normal
Maintenance and repairs	Local purchase	Normal

#### (4) A list of any suppliers and customers accounting for 10 percent or more of the company's total procurement (sales) in either of the 2 most recent fiscal years, the percentage of total procurement (sales), and an explanation of the reason for changes in these figures:

##### 1. Retail of daily commodities and food

##### (1) Primary customers

End consumers for the retail of daily commodities and food would be general customers. No single customer accounted for more than 10% of merchandise sales.

## (2) Primary goods supplier

Unit: Thousand NT\$

2014					2015				2016 (up to the first quarter)			
Item	Title	Sum	Proportion of total net procurement value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of total net procurement value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of the value of net procurement for the current fiscal year up to the previous quarter [%]	Relationship with the issuer
1	Others	12,295,975	100	None	Taiwan Tobacco and alcohol	1,054,201	10.50	None	Others	3,656,163	100	None
					Others	8,982,049	89.50	None				
	Net procurement	12,295,975	100		Net procurement	10,036,250	100		Net procurement	3,656,163	100	

(3) Reason for changes: This Corporation operates as a retailer and distributor with extremely distributed purchasing. Since tobacco and alcohol products are sold under a monopoly, net procurement of these products tend to account for over 10% of total purchases.

## 2. Life insurance

Life insurance companies would have no applicable supplier for analysis. No premium income from any single policy holder accounted for over 10% of total annual premium income.

## 3. Pharmaceuticals

### (1) Primary customers

Unit: Thousand NT\$

2014					2015				2016 (up to the first quarter)			
Item	Title	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of the value of net sales of the current fiscal year to the previous quarter [%]	Relationship with the issuer
1	Customer A	210,722	14.12	None	Customer A	284,614	15.72	None	Customer B	127,076	19.69	None
2	Others	1,281,140	85.88	None	Others	1,525,887	84.28	None	Customer A	111,679	17.30	None
3									Others	406,724	63.01	None
	Net sales	1,491,862	100		Net sales	1,810,501	100		Net sales	645,479	100	

Note: Where sales to the customer exceed 10% of the total sales value in the 2 most recent fiscal years, the name, sales value, and proportion of the said sales shall be disclosed. However, contractual terms dictate that the names of such customer or trading counterparty cannot be disclosed if the said customer or trading counterparty is an individual and unrelated party to this Corporation, and may be suitably replaced by codes.

(2) Reason of change: Customer B has been included in the 1st quarter of this year as this customer has purchased large quantities of HOCLQ.

### (3) Primary goods supplier

Unit: Thousand NT\$

2014					2015				2016 (up to the first quarter)			
Item	Title	Sum	Proportion of total net procurement value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of total net procurement value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of the value of net procurement for the current fiscal year up to the previous quarter [%]	Relationship with the issuer
1	Nantong	95,702	14.86	None	Nantong	165,283	22.84	None	Nantong	44,642	24.35	None
2	Trans Chief	65,970	10.24	None	Nansong (南松)	76,560	10.58	None	Nansong (南松)	19,550	10.66	None
3	Others	482,418	74.90	None	Others	481,951	66.58	None	Others	119,173	64.99	None
	Net procurement	644,090	100.00		Net procurement	723,794	100.00		Net procurement	183,365	100.00	

Note: Where procurement acquired from a supplier exceed 10% of total procurement, the name of the said supplier, procurement value, and proportion of the procurement shall be disclosed. However, contractual terms dictate that the name of such a supplier or trading counterparty cannot be disclosed if the said supplier or trading counterparty is an individual and unrelated party to this Corporation, and codes may be used to replace the names instead.

(4) Reason of change: Overall supplier makeup did not change. However, increased delivery of HOCLQ in 2015 led to an increase in the amount of raw materials purchased from Nansong.

### 4. Others (system integration)

Information of major customers for the 2 most recent years

Unit: Thousand NT\$

2014					2015				2016 (up to the first quarter)			
Item	Title	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of the value of net sales up to the 1st quarter of the current year (%)	Relationship with the issuer
1	Customer A	0	0	None	Customer A	349,454	15.44	None	Customer A	92,601	17.01	None
2	Customer B	0	0	None	Customer B	273,029	12.06	None	Customer B	65,624	12.05	None
3	Customer C	228,361	11.85	None	Customer C	0	0	None	Customer C	59,569	10.94	None
4	Others	1,698,237	88.15	—	Others	1,640,565	72.50	—	Others	326,642	60.00	—
	Net sales	1,926,598	100		Net sales	2,263,048	100		Net sales	544,436	100	

Information of major suppliers in the 2 most recent years

Unit: Thousand NT\$

2014					2015				2016 (up to the first quarter)			
Item	Title	Sum	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Title	Sum	Proportion of the value of net procurement for the current fiscal year up to the previous quarter (%)	Relationship with the issuer
1	Hitachi-Omron Terminal Solutions, Corp.	463,071	35.66	None	Hitachi-Omron Terminal Solutions, Corp.	507,127	32.45	None	Hitachi-Omron Terminal Solutions, Corp.	228,827	44.94	None
	Others	835,424	64.34		Others	1,055,469	67.55		Others	280,337	55.06	
	Net procurement	1,298,495	100		Net procurement	1,562,596	100		Net procurement	509,164	100	

Reason for changes: Based upon sales requirements.

### (5) Production value in the 2 most recent fiscal years:

#### 1. Retail of daily commodities and food

Not applicable. This Corporation is a retailer of daily commodities and food.

## 2. Life insurance

Not applicable. This Corporation is a life insurance company.

## 3. Pharmaceuticals

Table of production volume in the 2 most recent years

Unit: Ton / Unit: thousand NT\$

Primary commodity Value (or department)	Year Production volume	2014			2015		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
APIs			347	332,399		464	561,095
API intermediate		3,700	553	465,406	3,700	439	472,440
Others			999	129,437		800	80,023
Total		3,700	1,899	927,242	3,700	1,703	1,113,558

Note 1: Production capacity for each individual product was not listed as production equipment can be employed for the production of any product. Only rough estimates of production capacity was provided in the table above as the required capacity may differ for different products.

Note 2: Products that fetch higher unit prices in purchasing orders tend to take up longer manufacturing time at the production line. Estimates to production capacity would therefore not increase with new production lines.

## 4. Others (system integration)

Not applicable as this falls under IT services.

## (6) Sales volume in the 2 most recent years:

### (1) Retail of daily commodities and food

Unit: Thousand NT\$

Primary commodity	Year	Total sales value in 2014	Total sales value in 2015
Retail of daily commodities and food		15,767,448	17,206,973

Note 1: Sales volume was not listed given the large number of product categories as well as unit of measurements.

Note 2: Most of the products were sold locally, with no major overseas sales or transactions.

### (2) Life insurance

Unit: Thousand NT\$ / policy / individual

Type of insurance	2014		2015	
	Number of insurance	Total premium	Number of insurance	Total premium
Life insurance	2,957,864	89,090,754	3,057,530	90,583,420
Health insurance	7,496,095	26,553,765	7,950,533	29,901,912
Accident protection	2,900,190	2,759,606	3,096,175	2,979,830
Annuity insurance	78,312	2,414,320	67,017	295,913
Universal insurance	32,870	977,177	30,964	894,087
Investment insurance	308,083	1,481,690	287,382	1,507,786
Group insurance	4,187,596	2,381,311	4,111,258	2,238,586
Total	17,961,010	125,658,623	18,600,859	128,401,534

Note: Number of contracts for personal insurances would be the number of contracts, while the number of individuals would be used instead for group insurances.

### (3) Pharmaceuticals

Unit: Tons / Unit:

Primary commodity (or department)	Year		2014				2015			
	Value of sales		Internal sales		External sales		Internal sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
APIs	43.81	83,438	277.15	492,932	33.75	52,500	356.98	928,865		
API intermediate	134.49	19,916	421.88	733,093	48.00	6,584	339.01	710,718		
Others	1,169.16	137,743	40.75	24,740	1,016.13	111,564	0	0		
Total	1,347.46	241,097	739.78	1,250,765	1,097.88	170,918	695.99	1,639,583		

### (4) Others (system integration)

Unit: Thousand NT\$

Primary commodity (or department)	Year		2014				2015			
	Sales Value of sales		Internal sales		External sales		Internal sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Automated financial	2,390	595,930					2,222	801,059		
System integration		678,139					798,427			
Maintenance and repairs		567,945					575,333			
Others		72,780		11,804		46,699		41,530		
Total	2,390	1,914,794		11,804	2,222	2,221,518		41,530		

3. Information of employees for the 2 most recent years up to the date of the publication of this report

April 30, 2016

Major investees	Year		2014	2015	For the current year up to April 30, 2016
	Item				
Retail of daily commodities and food	Number of employees	General employees	3,391	3,625	3,724
		Hourly employees	2,672	2,797	2,809
		Total	6,063	6,422	6,533
	Average age		28.44	28.46	28.92
	Average work tenure		2.73	2.75	2.79
	Distribution and proportion of academic backgrounds	PhD	0	0	0
		Masters	0.79%	0.76%	0.75%
		University / college degree	43.45%	41.93%	39.14%
		High school diploma	41.53%	39.50%	34.21%
		Below high school	14.23%	17.81%	25.90%
Insurance	Number of employees	Internal staff	1,480	1,548	1,564
		Field staff	17,192	18,885	18,217
		Total	18,672	20,433	19,781
	Average age		34.5	34.59	35.06
	Average work tenure		5.77	5.78	6.13
	Distribution and proportion of academic backgrounds	PhD	0.01%	0.01%	0.01%
		Masters	4.82%	5.09%	5.25%
		University / college degree	70.88%	71.23%	71.04%
		High school diploma	23.64%	23.14%	23.16%
		Below high school	0.65%	0.53%	0.54%
Pharmaceutical Company	Number of employees	Managerial level or above	10	10	11
		General employees	200	211	216
		Total	210	221	227
	Average age		37.8	37.88	38.11
	Average work tenure		7.62	7.92	8.00
	Distribution and proportion of academic backgrounds	PhD	4.29%	3.62%	3.52%
		Masters	12.38%	12.67%	13.66%
		University (or college)	55.23%	54.75%	53.30%
		Senior or vocational high	11.43%	12.67%	13.66%
		Below high school	16.67%	16.29%	15.86%
Others (System integration)	Employee Number of individuals	Sales staff	42	42	45
		Hardware services	256	277	280
		Software services	143	154	152
		Administrative staff	99	107	105
		Total	540	580	582
	Average age		38	38.9	38.8
	Average work tenure		8	8.3	8.5
	Distribution and proportion of academic backgrounds	PhD	0.2%	0.2%	0.2%
		Masters	6.7%	8.4%	8.4%
		University / college degree	90.6%	89.5%	89.5%
		High school diploma	2.5%	1.9%	1.9%
		Below high school	0	0	0



#### 4. Environmental protection expenditures

Total losses (including damage awards) and losses (including fines) for environmental pollution during the most recent fiscal year up to the date of printing of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible)

##### (1) Retail of daily commodities and food

The daily commodities retail sector of this Corporation has environmental pollution concerns and incurred no expenses in environmental protection. All wastewater, garbage, and air pollution generated from the food retail sector of this Corporation have underwent anti-contamination treatments. A subcontracting fee amounting to NT\$ 1,840,000 was paid to vendors every year to handle wastes produced by the stores.

##### (2) Insurance

Insurance is considered a service sector and does not fall under any manufacturing services or production lines. This business therefore has no concerns regarding losses or fines caused by environmental pollution. However, to fulfill corporate social responsibilities and implement measures for minimizing power and water consumption for energy saving and carbon reduction purposes, we used environmentally friendly materials for office décor and furnishings. Various measures such as using energy saving accessories for lighting and air conditioning, water saving designs for lavatories and lounges, sorting of kitchen wastes and trash, and recycling measures have been carried out for many years.

##### (3) Pharmaceutical company

1. This Corporation is a professional API manufacturer and focuses greatly upon environmental protection. Waste reduction processing would be considered as early as the process development phase. All controlled chemical ingredients, unless required, would be avoided in order to reduce the potential sources of pollution. Handling of any wastes generated during production processes such as wastewater, exhaust gases, and waste solvents would be undertaken by processing equipment and professional personnel, or subcontracted to professional waste management agencies. The following describes the details of waste management:

##### (1) Statutes on applications of setup permits for polluting facilities or pollution release permits

###### A. Wastewater treatment

Part of the waste generated by the production process would be handled by a wastewater treatment system that this Corporation has established independently. Dedicated personnel have been assigned to operate this system to handle the wastes. The treated wastewater will then be released from the site once it meets discharge standards. A waste (polluting) water release permit was acquired from the Taoyuan County Government, namely: *Fu-Huan-Shui-Tzu* Document No. 0990010253, *Tao-Hsien-Huan-Pai-Hsu-Tzu* (Taoyuan County Environment Discharge Permit) Document No. H0558-05.

###### B. Exhaust gas treatment

Fixed pollution source operating permits were acquired and dedicated air pollution control personnel were assigned in accordance with the *Air Pollution Control Act*.

Fixed source of pollution	Permit number
Pharmaceutical production / general production process M01	<i>Fu-Huan-Kong-Tzu</i> Document No. 1010027688, permit number for operations H4738-03
Boiler and steam generating processes M02	<i>Fu-Huan-Kong-Tzu</i> Document No. 0980001789, permit number for operations H4714-02
Hating processes M03	<i>Fu-Huan-Kong-Tzu</i> Document No. 0980001791, permit number for operations H4715-02
Drug manufacturing / general manufacturing processes M04	<i>Fu-Huan-Kong-Tzu</i> Document No. 1050059541, permit number for operations H5777-00

C. Waste solvent handling

Solvent distillation and recycling towers were established in order to recover as much organic solvent as possible from the various processes for recycling and reuse. The treatment of un-recyclable waste was subcontracted to qualified and professional agencies.

D. General waste

Treatment of general wastes produced during the production process was subcontracted to qualified professional agencies for regular handling.

(2) Payment of pollution prevention fees

In 2015, air pollution prevention fees amounted to NT\$ 795,753 while expenses paid for subcontracted treatment amounted to NT\$ 50,216,642. Self-treatment expenses amounted to NT\$ 20,541,490.

(3) Conditions for setting up dedicated units for environmental protection

A total of 9 personnel were assigned to the environmental protection department

Item	Description
Air pollution control specialists	Class A Air Pollution Control Specialist (85) EPA Training Permit No. FA090525 Class B Air Pollution Control Specialist (98) EPA Training Permit No. FB080462 Class B Air Pollution Control Specialist (92) EPA Training Permit No. FB010012
Wastewater And Sewage Treatment Specialists	Class A Wastewater And Sewage Treatment Specialist (85) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. GA120070 Class A Wastewater And Sewage Treatment Specialist (94) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. GA060315 Class A Wastewater And Sewage Treatment Specialist (100) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. GA450783 Class A Wastewater And Sewage Treatment Specialist (101) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. GA140253
Toxic Chemical Control Specialists	Class B Permit for the Professional and Technical Control of Toxic Chemicals (89) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. JB280970
Waste Processing Specialist	Class A Waste Disposal Technician (92) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. HA020737 Class A Waste Disposal Technician (94) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. HA170156 Class A Waste Disposal Technician (102) <i>Huan-Shu-Hsun-Cheng-Tzu</i> (EPA Training Permit) No. HA060049

2. Total losses (including fines) for environmental pollution from the most recent fiscal year up to the date of printing of the annual report: None.

3. Possible disbursements for future responsive measures (including corrective measures):

- (1) This Corporation places great importance on environmental protection and invested no small efforts in the setup of pollution prevention facilities, employee training programs to improve awareness for environmental protection, active provision of on-job training, and development of waste reduction processes for the purposes of preventing environmental protection issues.
- (2) This Corporation has made relevant preparations as the government established stronger controls for various sources of pollution. We are technically capable of fulfilling these requirements, and provided the needed budgetary allocations to setup relevant equipment.
- (3) Environmental protection expenses have always been part of operational costs and were adequately reflected in product sales prices.
- (4) Seek support from external research institutions and adopt advanced treatment equipment to improve waste treatment capabilities at lower costs.

(5) Use equipment that consumes clean energies to reduce the impact and effects upon the environmental and business aspect of the pollution.

4. Response to RoHS: Products are not affected by Restrictions of Hazardous Substances Directive (RoHS) of the EU.

(4) Others (system integration)

This Corporation engages in product testing, installation, and sales and would not generate any pollution or disrupt the ecological environment. Proper environmental protection has been enforced, resulting in zero pollution or pollution prevention issues. Products sold to Europe would not be within the scope of the RoHS regulations.

5. Labor relations

1. Employee benefit plans

This Corporation and its primary investees have established an Occupational Welfare Committee to stipulate adequate employee welfare plans as well as provision of bonuses for marriage, funerals, childbirth, and other personal celebrations of our employees. This Corporation also holds occasional tours, vacations, and various cultural and welfare events. Annual bonuses were released according to overall business performance.

2. Training

This Corporation and its primary investees shall continue to promote preliminary training for newly hired staff and continuing training for employees to strengthen their professional competences and management skills. Actual requirements were reviewed to dispatch employees to attend professional training courses in order to acquire the latest information. In 2015, a total of 42,955 individuals participated in preliminary training and on-job training held within and outside this Corporation. Total training expenses amounted to NT\$ 24,212,000.

3. Retirement system and state of implementation

Regulations governing employee retirement have been stipulated according to the Labor Standards Act. A fraction of the total monthly salary would be set aside for the retirement reserve fund. This sum would be deposited in the Department of Trusts of the Bank of Taiwan to gain interest, while retirement pensions would also be transferred to the employees' personal bank accounts on a monthly basis according to the regulations governing employee retirement.

4. Current employee-employer relationships

A harmonious employee-employer relationship has been established as this Corporation has always placed great importance on employee welfare and bidirectional communication. There has been no major employee-employer dispute since our founding. However, this Corporation will continue to improve employee-employer communication and coordination and do our best to provide proper welfare and benefits in order to enhance the harmonious nature of labor relations and eliminate any potential possibility of labor disputes.

5. Total losses leading from employee-employer disputes from the most recent fiscal year up to the date of printing of the annual report: None.

6. Protective measures for the safety of the work environment and personal safety of the employees

In addition to passing regular public safety inspections conducted every year, this Corporation also purchased public accident insurance and strengthened group insurance for fellow employees. The Occupational Welfare Committee of this Corporation also provided employees with various consolations for accidents and other form of welfare benefits.

## 6. Important contracts:

List the parties, major contents, restrictions, and starting and ending dates of major contracts that could affect the shareholders' rights and interests such as supply contracts, technical partnership contracts, construction contracts, and long-term loan contracts that are still effective by the publication date of this report or have expired during the most recent fiscal year.

Nature of the contract	Parties	Starting and ending dates of the contract	Major contents	Restrictive terms
Loan contract	Ta Chong Commercial Bank	December 2015 to December 2017	Long-term loan to support operation capital and improve financial structure	Note 2
Loan contract	First Bank	December 2015 to December 2019	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Land Bank of Taiwan	November 2015 to November 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Hua Nan Bank	November 2015 to November 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Bank SinoPac	September 2015 to September 2017	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Industrial Bank of Taiwan	August 2015 to August 2017	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Industrial Bank of Taiwan	August 2015 to August 2017	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taiwan Business Bank	September 2015 to September 2017	Long-term loan to support operation capital and improve financial structure	None
Loan contract	E. Sun Commercial Bank	July 2015 to July 2017	Long-term loan to support operation capital and improve financial structure	None
Loan contract	JihSun Bank	June 2015 to June 2017	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taipei Fubon Bank	June 2015 to June 2017	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	Industrial Bank of Taiwan and 9 other banks participating in the syndicated loan	October 2013 to October 2018	Syndicated loan institute and contract signed to improve financial structure and improve mid-term operation capital	Note 1
Loan contract	First Bank	September 2013 to September 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	First Bank	July 2013 to July 2018	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	Taishin International Bank and 11 other banks participating in the syndicated loan	December 2015 to December 2020	Syndicated loan institute and contract signed to improve financial structure and improve mid-term operation capital	Note 1
Loan contract	Far Eastern International Bank	December 2014 to December 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	The Bank of East Asia	December 2014 to December 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	CTBC Bank	December 2014 to December 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taipei Star Bank	November 2014 to November 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Bank SinoPac	August 2014 to August 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	EnTie Commercial Bank	August 2014 to August 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Bank of Taiwan	April 2014 to April 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	China Development Industrial Bank	March 2014 to March 2016	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Yunta Bank	September 2013 to September 2016	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	Taishin International Bank and 11 other banks participating in the syndicated loan	December 2011 to December 2016	Syndicated loan institute and contract signed to improve financial structure and improve mid-term operation capital	Note 1

Note 1: Syndicated loans based upon long-term credit would be syndicated bank loans jointly provided by Taishin International Bank, Industrial Bank of Taiwan, and other financial institutions that have been taken in response to mid-term operation capital and improvements to financial structure requirements of this Corporation. Terms of the syndicated loan contract stipulated that this Corporation must maintain a specified current ratio, tangible net worth ratio, and interest coverage ratio every year for the duration of the loan.

Note 2: Long-term commercial paper loans were applied from Ta Chong Commercial Bank to cater to mid-term operation capital and improvements to financial structure requirements of this Corporation. Terms of this loan contract stipulated that this Corporation must maintain a specified debt ratio and net worth value for the duration of the loan.

## VI. Financial Information

### 1. Five-Year Financial Summary

#### (1) Consolidated Condensed Balance Sheet and Condensed Statement of Comprehensive Income/Condensed Statement of Income – Based on IFRS

##### 1. Consolidated Condensed Balance Sheet – Based on IFRS

Units: Thousand NT\$

Year Item		Financial Summary for The Last Five Years					From this year to March 31, 2016 Financial information (Note 1)
		2011	2012	2013	2014	2015	
Current assets			142,420,925	141,927,020	149,122,046	165,333,265	147,799,758
Property, plant, and equipment (PP&E) (Note 2)			9,400,939	12,491,573	13,927,351	14,629,851	14,912,832
Intangible assets			75,742	68,844	66,112	68,257	61,472
Other assets			461,023,579	563,033,471	656,676,636	699,047,326	738,549,793
Total assets			612,921,185	717,520,908	819,792,145	879,078,699	901,323,885
Current liabilities	Before distribution		13,247,790	11,628,804	17,551,579	11,509,108	15,006,274
	After distribution		13,878,523	12,105,772	17,960,400	11,917,912 (Note 3)	--
Non-current liabilities			573,236,063	682,329,873	774,415,265	838,889,481	855,083,458
Total liabilities	Before distribution		586,483,853	693,958,677	791,966,844	850,398,589	870,089,732
	After distribution	Not applicable	587,114,586	694,435,645	792,375,665	850,807,393 (Note 3)	--
Equity attributable to shareholders of the parent			12,160,945	10,383,316	11,940,103	11,593,981	12,894,130
Capital stock			6,307,332	6,813,829	6,813,689	6,813,409	6,813,399
Capital surplus			664,320	872,118	897,836	965,886	971,976
Retained earnings	Before distribution		4,957,164	4,832,629	5,482,195	6,449,865	6,688,066
	After distribution		3,821,844	4,355,661	5,073,374	5,700,391 (Note 3)	--
Other equity interest			764,801	(1,602,588)	(720,945)	(2,102,507)	(1,046,639)
Treasury stock			(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Non-controlling interest			14,276,387	13,178,915	15,885,198	17,086,129	18,340,023
Total equity	Before distribution		26,437,332	23,562,231	27,825,301	28,680,110	31,234,153
	After distribution		25,806,599	23,085,263	27,416,480	28,271,306 (Note 3)	--

Note 1: The consolidated financial statement for 1st quarter of 2016 has been reviewed by CPA.

Note 2: Land belonging to this Corporation underwent asset re-evaluation according to currently publicized land prices based upon the standard date of December 31, 1987, resulting an asset value increase of about NT\$ 17,407,000. A sum of NT\$ 8,153,000 was prepared for the land value increment tax (listed as a long-term liability) which was deducted from the transferred shares, leaving a remainder of about NT\$ 8,796,000. On January 1, 2012, International Financial Reporting Standards was employed for the first time to list the value under retained earnings.

Note 3: Appropriation of net income for 2015 have yet to be ratified by the stockholder's meeting.

## 2. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Units: Thousand NT\$

Year Item	Financial Summary for The Last Five Years					From this year to Financial information of March 31, 2016 (Note 1)
	2011	2012	2013	2014	2015	
Operating revenue		150,829,775	173,585,978	186,759,179	192,967,661	60,406,712
Gross profit		--	--	--	--	--
Income from operations		--	--	--	--	--
Non-operating income and expenses		--	--	--	--	--
Income before tax		1,315,446	1,913,352	2,661,242	4,217,333	1,254,269
Income from operations of continued segments - after tax		1,191,591	1,842,445	2,634,762	3,133,276	342,571
Income from discontinued operations		--	--	--	--	--
Net income (Loss)		1,191,591	1,842,445	2,634,762	3,133,276	342,571
Other comprehensive income (income after tax)	Not applicable	8,451,039	(5,364,207)	1,419,865	(3,051,527)	2,068,707
Total comprehensive income		9,642,630	(3,521,762)	4,054,627	81,749	2,411,278
Net income attributable to shareholders of the parent		1,006,494	918,884	1,259,900	1,474,715	238,201
Net income attributable to non-controlling interest		185,097	923,561	1,374,862	1,658,561	104,370
Comprehensive income attributable to Shareholders of the parent		4,961,725	(1,388,855)	2,003,571	(7,267)	1,293,556
Comprehensive income attributable to non-controlling interest		4,680,905	(2,132,907)	2,051,056	89,016	1,117,722
Earnings per share		1.57	1.43	1.96	2.30	0.37

Note 1: The consolidated financial statement for for 1st quarter of 2016 has been reviewed by CPA.

(2) Consolidated Condensed Balance Sheet and Condensed Statement of Comprehensive Income/Condensed Statement of Income- Based on ROC GAAP  
1. Consolidated Condensed balance sheet – Based on ROC GAAP

Units: Thousand NT\$

Year Item		Financial Summary for The Last Five Years				
		2011	2012	2013	2014	2015
Current assets		61,736,486	89,555,935	Not applicable		
Funds and investments		341,567,826	398,135,640			
Fixed assets (Note 1)		9,969,386	10,452,882			
Intangible assets		75,470	73,836			
Other assets		106,327,482	113,043,090			
Total assets		519,676,650	611,261,383			
Current liabilities	Before distribution	11,522,026	13,299,478			
	After distribution	11,764,616	13,930,211			
Long-term liabilities		10,466,803	9,892,474			
Other liabilities		485,328,890	562,249,542			
Total liabilities	Before distribution	507,317,719	585,441,494			
	After distribution	507,560,309	586,072,227			
Capital stock		6,064,743	6,307,332			
Capital surplus		903,086	500,641			
Retained earnings	Before distribution	3,867,226	5,071,427			
	After distribution	3,867,226	3,936,107			
Unrealized gain or loss on financial instruments		(3,580,515)	602,277			
Cumulative translation adjustments		79,055	48,906			
Net loss unrecognized as pension cost		(72,330)	(259,145)			
Total equity	Before distribution	12,358,931	25,819,889			
	After distribution	12,116,341	25,189,156			

Note 1: Land belonging to this Corporation underwent asset re-evaluation according to currently publicized land prices based upon the standard date of December 31, 1987, resulting in an asset value increase of about NT\$ 17,407,000. A sum of NT\$ 8,153,000 was prepared for the land value increment tax (listed as a long-term liability) which was deducted from the transferred shares, leaving a remainder of about NT\$ 8,796,000. This has been listed as an unrealized revaluation increment.

## 2. Consolidated Condensed Statement of Income – Based on ROC GAAP

Units: Thousand NT\$

Item \ Year	Financial Summary for The Last Five Years				
	2011	2012	2013	2014	2015
Operating revenue	127,273,145	151,203,478	Not applicable		
Gross profit	--	--			
Income from operations	--	--			
Non-operating income and benefits	--	--			
Non-operating expenses and loss	--	--			
Income before tax	1,365,656	1,516,613			
Income from operations of continued segments - after tax	1,471,948	1,386,509			
Income from discontinued operations	--	--			
Extraordinary gain or loss items	--	--			
Cumulative effect of accounting principle changes	--	--			
Net income	1,471,948	1,386,509			
Earnings per share	1.91	2.04			



(3) Individual Condensed Balance Sheet and Condensed Statement of Comprehensive Income/ Condensed Statement of Income – Based on IFRS  
1. Individual Condensed Balance Sheet – Based on IFRS

Units: Thousand NT\$

Year Item		Financial Summary for The Last Five Years				
		2011	2012	2013	2014	2015
Current assets			2,610,111	2,275,875	2,627,287	387,184
Property, plant, and equipment (PP&E) (Note 1)			1,974,700	2,514,379	2,411,289	392,983
Intangible assets			6,987	8,022	6,045	--
Other assets			16,995,375	15,893,917	18,135,670	19,346,630
Total assets			21,587,173	20,692,193	23,180,291	20,126,797
Current liabilities	Before distribution		2,368,158	2,248,170	2,089,064	219,479
	After distribution		2,998,891	2,725,138	2,497,885	628,283 (Note 2)
Non-current liabilities			7,058,070	8,060,707	9,151,124	8,313,337
Total liabilities	Before distribution		9,426,228	10,308,877	11,240,188	8,532,816
	After distribution		10,056,961	10,785,845	11,649,009	8,941,620 (Note 2)
Capital stock			6,307,332	6,813,829	6,813,689	6,813,409
Capital surplus			664,320	872,118	897,836	965,886
Retained earnings	Before distribution		4,957,164	4,832,629	5,482,195	6,449,865
	After distribution		3,821,844	4,355,661	5,073,374	5,700,391 (Note 2)
Other equity interest			764,801	(1,602,588)	(720,945)	(2,102,507)
Treasury stock			(532,672)	(532,672)	(532,672)	(532,672)
Total equity	Before distribution		12,160,945	10,383,316	11,940,103	11,593,981
	After distribution		11,530,212	9,906,348	11,531,282	11,185,177 (Note 2)

Note 1: Land belonging to the Corporation underwent asset re-evaluation according to currently publicized land prices based upon the standard date of December 31, 1987, and increased in value by about NT\$ 17,407,000. A sum of NT\$ 8,153,000 was prepared for the land value increment tax (listed as a long-term liability) which was deducted from the transferred shares, leaving a remainder of about NT\$ 8,796,000. On January 1, 2012, International Financial Reporting Standards was employed for the first time to list the value under retained earnings.

Note 2: Appropriation of net income for 2015 have yet to be ratified by the stockholder's meeting.

2. Individual Condensed Statement of Comprehensive Income – Based on IFRS

Units: Thousand NT\$

Year Item	Financial Summary for The Last Five Years				
	2011	2012	2013	2014	2015
Operating revenue	Not applicable	11,501,937	12,604,646	14,614,261	1,907,589
Gross profit		3,745,703	4,145,149	5,643,562	1,874,935
Income from operations		142,910	133,740	1,379,322	1,720,117
Non-operating income and expenses		906,829	895,063	(119,422)	(92,360)
Income before tax		1,049,739	1,028,803	1,259,900	1,627,757
Income from operations of continued segments - after tax		1,006,494	918,884	1,259,900	1,474,715
Income from discontinued		--	--	--	--
Net income (Loss)		1,006,494	918,884	1,259,900	1,474,715
Other comprehensive income (income after tax)		3,955,231	(2,307,739)	743,672	(1,481,982)
Total comprehensive income in this period		4,961,725	(1,388,855)	2,003,572	(7,267)
Net income attributable to shareholders of the parent		1,006,494	918,884	1,259,900	1,474,715
Net income attributable to non-controlling interest		--	--	--	--
Comprehensive income attributable to Shareholders of the parent		4,961,725	(1,388,855)	2,003,572	(7,267)
Comprehensive income attributable to non-controlling interest		--	--	--	--
Earnings per share		1.57	1.43	1.96	2.30

(4) Individual Condensed Balance Sheet and Condensed Statement of Comprehensive Income/Condensed Statement of Income- Based on ROC GAAP

1. Individual Condensed Balance Sheet –Based on ROC GAAP

Units: Thousand NT\$

Year Item		Financial Summary for The Last Five Years				
		2011	2012	2013	2014	2015
Current assets		2,503,653	2,610,111	Not applicable		
Funds and investments		10,250,222	15,205,281			
Fixed assets (Note 1)		3,066,139	3,016,936			
Intangible assets		--	--			
Other assets		296,207	313,497			
Total assets		16,116,221	21,145,825			
Current liabilities	Before distribution	2,374,410	2,361,463			
	After distribution	2,617,000	2,992,196			
Long-term liability		6,895,635	6,962,462			
Other liability		120,359	74,338			
Total liabilities	Before distribution	9,390,404	9,398,263			
	After distribution	9,632,994	10,028,996			
Capital stock		6,064,743	6,307,332			
Capital surplus		903,086	500,641			
Retained earnings	Before distribution	3,867,226	5,071,427			
	After distribution	3,867,226	3,936,107			
Unrealized gain or loss on financial instruments		(3,580,515)	602,277			
Cumulative translation adjustments		79,055	48,906			
Net loss unrecognized as pension cost		(72,330)	(259,145)			
Total equity	Before distribution	6,725,817	11,747,562			
	After distribution	6,483,227	11,116,829			

Note 1: Land belonging to the Corporation underwent asset re-evaluation according to currently publicized land prices based upon the standard date of December 31, 1987, resulting in an asset value increase of about NT\$ 17,407,000. A sum of NT\$ 8,153,000 was prepared for the land value increment tax (listed as a long-term liability) which was deducted from the transferred shares, leaving a remainder of about NT\$ 8,796,000. This has been listed as an unrealized revaluation increment.

## 2. Individual Condensed Statement of Income –Based on ROC GAAP

Units: Thousand NT\$

Item \ Year	Financial Summary for The Last Five Years				
	2011	2012	2013	2014	2015
Operating revenue	10,219,371	11,505,207	Not applicable		
Gross profit	3,447,296	3,748,974			
Income from operations	121,517	144,848			
Non-operating income and benefits	1,158,533	1,290,538			
Non-operating expenses and loss	(142,103)	(180,158)			
Income before tax	1,137,648	1,255,228			
Income from operations of continued segments - after tax	1,088,464	1,211,627			
Income from discontinued operations	--	--			
Extraordinary gain or loss items extraordinary items	--	--			
Cumulative effect of accounting principle changes	--	--			
Net income	1,088,464	1,211,627			
Earnings per share	1.91	2.04			

### (3) Auditors' Opinions from 2011 to 2015

Year	Accounting Firm	CPA	Audit Opinion	Details
2015	BDO Taiwan	Ke-yi Liu and Kun-hsi Hsu	Modified unqualified opinion	-
2014	BDO Taiwan	Kun-hsi Hsu and Shu-cheng Chang	Modified unqualified opinion	-
2013	BDO Taiwan	Kun-hsi Hsu and Shu-cheng Chang	Modified unqualified opinion	-
2012	BDO Taiwan	Ke-yi Liu and Shu-cheng Chang	Modified unqualified opinion	-
2011	BDO Taiwan	Ke-yi Liu and Shu-cheng Chang	Modified unqualified opinion	-

## 2. Five-Year Financial Analysis

### (1) Consolidated Financial Analysis – Based on IFRS

Year Item analyzed (Note 2)		Financial analysis for the last five years					From this year to March 31, 2016 (Note 1)
		2011	2012	2013	2014	2015	
Financial structure (%)	Debt Ratio	Not applicable	95.69	96.72	96.61	96.74	96.53
	Ratio of long-term capital to property, plant and equipment		6,378.87	5,650.30	5,760.18	5,930.13	5,943.32
Solvency (%)	Current ratio		1,075.05	1,220.45	849.62	1,436.54	984.92
	Quick ratio		1,047.87	1,189.34	828.68	1,401.68	956.87
	Interest earned ratio (times)		1,214.06	1,518.63	1,880.73	2,761.79	3,087.92
Operating performance	Accounts receivable turnover (times)		72.20	91.74	101.21	107.41	112.80
	Average collection period		5.06	3.98	3.61	3.40	3.24
	Inventory turnover (times)		3.14	3.03	3.30	3.50	3.38
	Accounts payable turnover (times)		4.60	4.80	5.46	6.42	6.47
	Average days in sales		116.28	120.46	110.61	104.29	107.99
	Property, plant and equipment turnover (times)		16.20	15.86	14.14	13.51	16.36
	Total assets turnover (times)		0.27	0.26	0.24	0.23	0.27
Profitability	Return on total assets (%)		0.23	0.29	0.36	0.38	0.17
	Return on stockholders' equity (%)		6.03	7.37	10.25	11.09	4.57
	Pre-tax income to paid-in capital (%)		20.86	28.08	39.06	61.90	73.64
	Profit ratio (%)		0.79	1.06	1.41	1.62	0.57
	Earnings per share (NT\$)		1.57	1.43	1.96	2.30	0.37
Cash flow	Cash flow ratio (%)		597.39	817.66	411.26	426.73	163.83
	Cash flow adequacy ratio (%)		803.48	682.14	618.69	564.91	616.45
	Cash reinvestment ratio (%)		13.06	13.29	8.88	5.55	2.76
Leverage	Operating leverage		(32.48)	(34.85)	(38.47)	(38.20)	(54.59)
	Financial leverage		0.97	0.97	0.97	0.96	0.96

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%).

- Increases to Current ratio and Quick ratio : Mainly caused by reductions from payable insurance claims and payments as well as payable reinsurance claims and payments.
- Increases to Interest earned ratio (times) and Pre-tax income to paid-in capital (%): Mainly caused by increased interest incomes and insurance payment incomes.
- Decreases to Cash reinvestment ratio (%): Mainly caused by reduced net incoming cash flow from business activities in 2015 when compared to that of 2014.

Note 1: The consolidated financial statement for the 1st quarter of 2016 has been reviewed by CPA.

Note 2: Calculation formulas are provided below.

(2) Consolidated Financial Analysis – Based on ROC GAAP

Year  Item (Note 1)			Financial analysis for the last five years						
			2011	2012	2013	2014	2015		
Financial structure (%)	Debt Ratio		97.61	95.78	Not applicable				
	Ratio of long-term capital to fixed assets		228.96	341.65					
Solvency (%)	Current ratio		535.81	673.38					
	Quick ratio		506.61	646.30					
	Interest earned ratio (times)		1,180.01	1,389.00					
Operating performance	Accounts receivable turnover (times)		46.37	73.55					
	Average collection period		7.87	4.96					
	Inventory turnover (times)		3.27	3.14					
	Accounts payable turnover (times)		3.15	3.49					
	Average days in sales		111.96	116.24					
	Fixed assets turnover (times)		12.77	14.47					
	Total assets turnover (times)		0.24	0.25					
Profitability	Return on assets (%)		0.32	0.26					
	Return on stockholders' equity (%)		9.80	7.26					
	Ratio to issued capital (%)	Operating income	(63.16)	(70.34)					
		Pre-tax income	22.52	24.05					
	Profit ratio (%)		1.16	0.92					
	Earnings per share (NT\$)		1.91	2.04					
Leverage	Cash flow ratio (%)		561.30	563.21					
	Financial leverage		0.97	0.97					
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)									
Not applicable.									

Note 1: Calculation formulas are provided below.

### (3) Individual Consolidated Financial Analysis – Based on IFRS

Year Item (Note 1)		Financial analysis for the last five years				
		2011	2012	2013	2014	2015
Financial structure (%)	Debt Ratio	Not applicable	43.67	49.82	48.49	42.40
	Ratio of long-term capital to property, plant and equipment		973.26	733.54	874.69	5,065.69
Solvency (%)	Current ratio		110.22	101.23	125.76	176.41
	Quick ratio		36.33	28.41	46.31	176.08
	Interest earned ratio (times)		1,108.73	897.21	1,006.21	1,424.18
Operating performance	Accounts receivable turnover (times)		84.50	77.63	89.96	22.30
	Average collection period		4.32	4.70	4.06	16.37
	Inventory turnover (times)		3.79	4.11	4.56	0.03
	Accounts payable turnover (times)		5.06	5.76	6.47	0.05
	Average days in sales		96.21	88.81	80.04	12,166.67
	Property, plant and equipment turnover (times)		5.84	5.62	5.93	1.36
	Total assets turnover (times)		0.60	0.60	0.67	0.09
Profitability	Return on total assets (%)		5.73	4.85	6.27	7.38
	Return on stockholders' equity (%)		10.39	8.15	11.29	12.53
	Pre-tax income to paid-in capital (%)		16.64	15.10	18.49	23.89
	Profit ratio (%)		8.75	7.29	8.62	77.31
	Earnings per share (NT\$)		1.57	1.43	1.96	2.30
Cash flow	Cash flow ratio (%)		18.14	12.98	36.99	6.18
	Cash flow adequacy ratio (%)		29.66	27.24	31.15	33.95
	Cash reinvestment ratio (%)		0.93	(1.73)	1.33	(1.97)
Leverage	Operating leverage		1.00	1.00	1.00	1.00
	Financial leverage		3.68	28.52	1.11	1.08

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

The following describes the primary reason for the differences of financial ratios between 2015 and 2014:

The Corporation has formally transformed into an investment holding company on January 1, 2015, with all affiliated retail businesses ceded to the newly established MERCURIES & ASSOCIATES, LTD. The 2015 individual financial statement of this Corporation would therefore lack major fixed assets, inventory, or cost of sales. Income from investment thus became the only source of revenue for the Corporation during this fiscal year. Changes to ongoing operations also led to material differences in a number of financial ratios, and the resulting financial ratio for this fiscal year therefore became lower than the reference standard.

Note 1: Calculation formulas are provided below.

(2) Individual Consolidated Financial Analysis –Based on ROC GAAP

Year Item (Note 1)			Financial analysis for the last five years				
			2011	2012	2013	2014	2015
Financial structure (%)	Debt Ratio		58.27	44.44	Not applicable		
	Ratio of long-term capital to fixed assets		444.25	620.16			
Solvency (%)	Current ratio		105.44	110.52			
	Quick ratio		33.08	36.43			
	Interest earned ratio (times)		1,118.87	1,310.60			
Operating performance	Accounts receivable turnover (times)		39.32	84.52			
	Average collection period		9.28	4.31			
	Inventory turnover (times)		4.11	3.78			
	Accounts payable turnover (times)		5.24	4.73			
	Average days in sales		88.81	96.56			
	Fixed assets turnover (times)		3.33	3.81			
	Total assets turnover (times)		0.63	0.54			
Profitability	Return on total assets (%)		7.02	6.96			
	Return on stockholders' equity (%)		13.55	13.11			
	Ratio to issued capital (%)	Operating income	1.40	2.29			
		Pre-tax income	18.76	19.90			
	Profit ratio (%)		10.65	10.53			
	Earnings per share (NT\$)		1.91	2.04			
Cash flow	Cash flow ratio (%)		37.85	18.19			
	Cash flow adequacy ratio (%)		24.94	29.55			
	Cash reinvestment ratio (%)		3.78	0.94			
Leverage	Operating leverage		38.61	25.06			
	Financial leverage		(3.21)	3.51			
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
Not applicable.							

Note 1: Calculation formulas are provided below.



**The following lists the calculation formulas:**

1. Financial structure

(1) Debt Ratio = Total liabilities / Total assets

(2) Ratio of long-term capital to fixed assets = (Net shareholder equity + Long-term liabilities) / Net fixed assets

2. Solvency

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

(2) Quick ratio = (Current asset – inventory-prepaid expense) / Current liabilities

(3) Interest earned ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.

3. Operating performance

(1) Accounts receivable turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / Average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).

(2) Average collection period = 365 / Accounts receivable turnover

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

(4) Accounts payable turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation).

(5) Average days in sales = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Average net fixed asset

(7) Total inventory turnover rate = Net sales / Average total asset

4. Profitability

(1) Return on total assets = [ Net income + Interest expenses x (1 - tax rate)] / Average total asset

(2) Return on stockholders' equity = Net income / Average total equity

(3) Profit ratio = Net income / Net sales

(4) Earnings per share (EPS) = (Net income - preferred shares dividend) / Weighted average stock shares issued

5. Cash flow

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

(2) Cash flow adequacy ratio = Net cash flow from operating activities within five year / (Capital expenditure + Inventory increase + Cash dividend) within five year

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Total fixed assets + Long-term investments + Other assets + Working capital).

6. Leverage

(1) Operating leverage = (Net operating income - Operating variable cost and expense) / Operating income

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

### 3. Supervisors' Report for the Most Recent Year

#### CPA Review and Final Report

To the Supervisor:

The 2015 Final Report for the commissioned task of auditing the MERCURIES & ASSOCIATES, HOLDING LTD., which include the asset balance sheet of December 31, 2015, as well as composite income sheet, equity change statement, cash flow statement, and consolidated financial statement of the same date, as well as income appropriation statement and business report of 2015, have been reviewed by CPAs using Generally Accepted Auditing Principles (GAAP) as well as the required auditing procedures.

CPA opinions and the aforementioned financial statements were compiled in compliance with the *Regulations Governing the Preparation of Financial Reports by Securities Issuers* as well as International Financial Reporting Standards, international accounting standards, interpretations, and interpretation announcements that have been approved, issued, and enforced by the Financial Supervisory Commission (FSC). The said opinions and financial statements provided adequate presentations of the financial condition of MERCURIES & ASSOCIATES, HOLDING LTD as well as MERCURIES & ASSOCIATES, HOLDING LTD and its constituent companies on December 31, 2015, as well as changes to financial performance and cash flow in 2015 as of December 31, 2015. Contents of the business report and figures related to the financial statement were found to be consistent with the aforementioned financial statements. The income appropriation statement was also compliant to the regulations of the corporation by-laws.

Sincerely,

MERCURIES & ASSOCIATES, HOLDING LTD  
(Originally MERCURIES & ASSOCIATES, LTD)

Supervisors Mr. Chien-chih Liu and Mr. I-teng Cheng

BDO Taiwan

CPA

張青



March 31, 2016

## MERCURIES & ASSOCIATES, HOLDING LTD

(Originally MERCURIES & ASSOCIATES, LTD)

### Supervisor's Review Report

The Board of Directors have submitted the consolidated financial statement as well as the individual financial statement of 2015 of this Corporation. The said statements have been audited by CPA Ke-yi Liu and CPA Kun-hsi Hsu of BDO Taiwan and were then reviewed together with the business report and income appropriation statement by every Supervisors of this Corporation. The Supervisors of this Corporation hereby states the opinion that no nonconformance has been found. This Report has been furnished in accordance with Article 219 of the *Company Act* for your review.

Sincerely,

2016 annual shareholders' meeting of this Corporation

Supervisor: Shuren Touzi Co., Ltd.

Representative:



Supervisor:



April 30, 2016

4. Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report

Please refer to page 89 of the Chinese annual report.

5. Individual Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors Report

Please refer to page 236 of the Chinese annual report.

6. Any financial difficulties experienced by the company and its affiliated businesses as well as the impact of the said difficulties on the financial condition of this company :None

## VII. Review, analysis, and risks of financial position and performance

1. Financial position: Any material change in the company's assets, liabilities, or equity during the 2 most recent fiscal years, the main reasons for the material change, and the effect thereof.

Unit: Thousand NT\$

Item \ Year	2015	2014	Difference	Proportion of change %	Notes
Current assets	165,333,265	149,122,046	16,211,219	10.87%	
Property, plant, and equipment	14,629,851	13,927,351	702,500	5.04%	
Intangible assets	68,257	66,112	2,145	3.24%	
Other assets	699,047,326	656,676,636	42,370,690	6.45%	
<b>Total assets</b>	<b>879,078,699</b>	<b>819,792,145</b>	<b>59,286,554</b>	<b>7.23%</b>	
Current liability	11,509,108	17,551,579	(6,042,471)	(34.43%)	1
Non-current liability	838,889,481	774,415,265	64,474,216	8.33%	
<b>Total liabilities</b>	<b>850,398,589</b>	<b>791,966,844</b>	<b>58,431,745</b>	<b>7.38%</b>	
Capital stock	6,813,409	6,813,689	(280)	0.00%	
Capital reserve	965,886	897,836	68,050	7.58%	
Retained earnings	6,449,865	5,482,195	967,670	17.65%	
Other equity	(2,102,507)	(720,945)	(1,381,562)	191.63%	2
Treasury stock	(532,672)	(532,672)	0	0.00%	
Uncontrolled equity	17,086,129	15,885,198	1,200,931	7.56%	
<b>Total stockholders' equities</b>	<b>28,680,110</b>	<b>27,825,301</b>	<b>854,809</b>	<b>3.07%</b>	
Analysis of the proportion of change: (analysis would not be required if the change is within 20%). 1. Reduction in current liability: Mainly caused by reductions from payable insurance claims and payments as well as payable reinsurance claims and payments. 2. Reduction in other equities: Mainly caused by an increase of unrealized loss from financial assets made available for sale.					

2. Financial performance: Main reasons for any material change in operating revenues, operating income, or income before tax during the 2 most recent fiscal years, and sales volume forecast and the basis thereof.

Unit: Thousand NT\$

Item	2015	2014	Sum of the gain (loss)	Proportion of change (%)	Item analyzed
Total income	192,967,661	186,759,179	6,208,482	3.32%	
Total expense	(188,750,328)	(184,097,937)	(4,652,391)	2.53%	
Income before tax for continuing operations	4,217,333	2,661,242	1,556,091	58.47%	1
Gain from income tax (expenses)	(1,084,057)	(26,480)	(1,057,577)	3,993.87%	2
Net income of continuing operations during this period	3,133,276	2,634,762	498,514	18.92%	
Analysis of the proportion of change: (analysis would not be required if the change is within 20%). 1. Mainly caused by higher increases in annual income than expenses in 2015. Major increase in income was attributed to interest income and premium income. 2. Mainly caused by increase in deferred income tax expenses in 2015.					

### 3. Analysis of Cash Flow

#### (1) Analysis and explanations of changes in cash flow in the 2 most recent fiscal years

Items \ Years	December 31, 2015	December 31, 2014	Proportion of change %
Cash flow ratio %	426.73%	411.26%	3.76%
Cash flow adequacy ratio %	546.91%	618.69%	(11.60%)
Cash re-investment ratio %	5.55%	8.88%	(37.50%)
Analysis of the proportion of change: (analysis would not be required if the change is within 20%). 1. Increases to cash re-investment ratio: Mainly caused by reduced net incoming cash flow from business activities in 2015 when compared to that of 2014.			

#### (2) Analysis of cash liquidity in 2015:

Unit: Thousand NT\$

Initial cash balance①	Net cash inflow resulting from business activities for the entire year②	Cash outflow for the entire year③	Sum of cash surplus (inadequacy) ①+②-③	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
66,340,988	49,113,253	(37,122,555)	78,331,686	-	-
1. Analysis of changes to cash flow for this year: (1) Business activities: Increases to insurance payouts of cash flow has led to a decrease of cash inflow from business activities during this period compared to that of the previous period. (2) Investment activities: Since no debt product or investment of any active market has expired to provide principal repayment, the resulting cash outflow from investment activities in this period was less than that of the previous period. (3) Financing activities: Mercuries Life Insurance has issued corporate bonds worth a total of NT\$ 5,000,000,000. Cash inflow from financing activities during this period was thus less than that of the previous period. 2. Remedial measures and liquidity analysis for cash inadequacy: There is no current issue of cash inadequacy.					

#### (3) Cash liquidity analysis for the following year:

Unit: Thousand NT\$

Initial cash balance①	Expected net cash inflow resulting from business activities for the entire year②	Expected cash outflow for the entire year③	Expected sum of cash surplus (or inadequacy) ①+②-③	Remedial measures for expected cash inadequacy	
				Investment plan	Financing plan
78,331,686	97,778,529	148,625,034	27,485,181	-	-
1. Analysis of changes to annual cash flow: (1) Business activities: Mainly caused by expected expansion to business scale and total premium of Mercuries Life Insurance (MLI), which will lead to higher cash inflow from business activities compared to that of the current period. (2) Investment activities: Mainly caused by expected increases to shares and bond investments for investment requirements of MLI, which lead to higher cash outflow for the entire year to that of the current period. 2. Remedial measures and liquidity analysis for expected cash inadequacy: There is no current issue of cash inadequacy.					

#### 4. Major Capital Expenditure Items

##### (1) Retail of daily commodities and food

No material capital expenditures for this current year.

##### (2) Insurance

Expanding business scale of the Corporation meant that the current available office space is now rather limited. In 2015, the Corporation began to acquire a number of floors of the Times Financial Plaza to increase the amount of office spaces available. The following lists the possible financial impacts: Procurement of a number of floors of the Times Financial Plaza include 234.59 Ping (8347 square feet or 775.5 square meters) and 6 parking spaces located at 16F, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City. This procurement will become the new corporate site once the lease contract of the Taipei Branch expires. This building was also listed as an item for conducting strategic and continuing purchases during various property meetings, providing benefits of procurement that include:

1. Reduced rental expenses: The area acquired will help reduce rental expenses by about NT\$ 4.58 million every year.
2. Improved corporate image: The procurement is located at a newer building compared to the Jianbei Center. The new site offered better construction structure, hardware equipment, and movement lines, adding to the positive image of the Corporation.

Additionally, this new procurement would not require additional capital expenditure in the form of repairs or renovations.

##### (3) Pharmaceutical company

Major capital expenditures of 2015: Plant and equipment

###### 1. Expected benefits:

These capital expenditures were required to support growth of the Corporation's businesses in this sector. Business is still growing for SCI Pharmtech, and the newly acquired plant and equipment will be effectively utilized to benefit future operations.

2. Possible risks: If sales volume fail to reach expected values, the negative impacts could include idling of production capacity and increased production costs.

3. Response measures: Secure additional businesses and improve capacity utilization rate.

##### (4) Others (system integration)

No material capital expenditures for this current year.

#### 5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year (where investment amount exceed 5% of the paid-in capital):

- (1) Profit / losses resulting from investments in other companies of 2015: Refer to page 143 to 144 of the this annual report.

- (2) No individual investment project in the following fiscal year has accounted for more than 5% of the paid-in capital. However, the Corporation is still actively expanding its market and looking for domestic and overseas investment partners for joint venture opportunities and expand its business scope. In addition to achieving the objectives of diversification strategies, this Corporation will also leverage professionalism and other advantages of our partners in their respective sectors to expand business scope, continue to establish foundations in various industries, and maintain high levels of competitiveness.

6. For risks, the following items shall be analyzed and assessed for the most recent fiscal year up to the date of printing of the annual report:

(1) Changes to interest rates, currency exchange fluctuations, and inflation and how these may impact this Corporation's gain or loss as well as future response measures:

1. Changes to interest rates

The recovery of the US economy allowed it to maintain a GDP growth rate of around 2%. The population of employed workers has now reached pre-financial crisis levels. The Feds have initiated interest hikes, but weak economic recovery demonstrated by other developed countries meant that the pace of subsequent increases to interest rates will remain slow. Despite the fact that employment and inflation rates are approaching target levels, the Federal Funds Rate was also lower than normal long-term standards. As Eurozone and Japan struggled to avoid the risk of deflation, China is undergoing a transformative phase of its economic structure to prevent hard landing of its economic growth. All these countries may continue to initiate quantitative easing (QE) policies which could result in excessive currency liquidity and limited increases to long-term US government bond yields. Despite the slower recovery, mid- and long-term cost of capital in the US and even the entire world may still increase. Developing countries and emerging economies, particularly those with poor fortitudes, may be affected in a more severe manner.

(1) Retail of daily commodities and food

Financial costs of 2015 amounted to NT\$ 139,030,000, which amounted to 0.81% and 25.64% of net operating revenue and net income after taxes (NIAT) of the business unit respectively. This Corporation shall continue to observe the trends of interest rates and maintain amicable relations with correspondent banks for stable finances, good loan credits, and better interest rates. Future changes to interest rates will therefore be unlikely to significantly impact overall operations of this Corporation.

(2) Life insurance

Net income from interest on investments in 2015 amounted to NT\$ 22,549,257,000, which accounted for 13.95% and 638.88% of the net operating revenue and income before tax listed on the financial statement of the business unit respectively. Interest rate recovery is expected to be slow. This Corporation will therefore continue to observe trends to interest rates and control both investment risks and interest risks to reduce asset allocation risks and effectively limit potential impact to our investment portfolio that may result from interest fluctuations.

(3) Pharmaceuticals

Interest expenses amounted to NT\$ 9,456,000 in 2015 due to interest amortization from the issuance of corporate bonds. Changes to market interest rates would not affect relevant interest expenditures.

(4) Others (system integration)

Net income from interest on investments in 2015 amounted to NT\$ 4,960,000, which accounted for 0.22% and 13.78% of the net operating revenue and income before tax listed on the financial statement of the business unit respectively. This Corporation regularly evaluates bank note interest rates and maintains a positive



relationship with various banks in order to acquire loans at competitive interest rates and reduce interest expenditures.

## 2. Fluctuation in exchange

The state of the US economy is better than that of Europe and Japan. Reversal of QE policies was also scheduled earlier compared to that of the European Central Bank and the Bank of Japan, and the US Dollar is expected to remain strong against the Euro and the Yen before the end of this year. As the Federal Reserve System initiate interest hikes, previous investments in emerging markets may be withdrawn and return to the US, which may exacerbate financial market fluctuations and improve the hedging potential of the US Dollar, making the US Dollar even stronger.

Forecasts for other currencies differ significantly. Countries with huge trade surpluses and positive current account balances such as Mainland China, South Korea, and other northeast Asian countries would demonstrate better currency devaluation resistance against the US Dollar. A number of emerging economies and developing countries with high inflation, high debt, and negative current account balances such as Indonesia, Turkey, and South Africa may undergo currency devaluation against the US Dollar. As the US Dollar grows stronger, any rebound of commodity prices would require clear signs that Mainland China has released stimulus policies and demonstrate improved market demands. Forecasts also expect both the Australian Dollar and New Zealand Dollar to experience devaluation against the US Dollar.

### (1) Retail of daily commodities and food

Most products were sold in the domestic market. Fluctuations in exchange will not significantly impact the Corporation in this sector.

### (2) Life insurance

Net exchange gains (losses) amounted to NT\$ 8,498,815,000 in 2015, which accounted for 5.26% and 240.79% of net operating revenue and income before tax listed in the financial statement of the business unit respectively. Proper use of hedging tools for risk diversification will achieve effective control over exchange rates and stabilize this Corporation's investments.

### (3) Pharmaceuticals

Exchange income generated in 2015 amounted to NT\$ 14,000,000. Exchange rate fluctuations will significantly affect gains and losses. This Corporation shall continue to closely monitor changes in exchange rates and employ long-term foreign currency exchanges as well as other methods to avoid currency risks. This Corporation shall also adequately reflect adverse changes to currency rates to our customers during the quotation phase.

### (4) Others (system integration)

Net exchange gains (losses) in 2015 amounted to NT\$ 9,457,000, which accounted for 0.42% and 26.28% of net operating revenue and income before tax listed in the financial statement of the business unit. The main response taken was risk diversification policies, where foreign currencies were purchased at more advantageous positions to avoid potential risks. This Corporation shall continue to monitor the state of global finances and compile information on exchange rate fluctuations to determine trends of currency exchange rates. These trends could then be used as a reference for enacting response measures against exchange rate

fluctuations.

### 3. Inflation

#### (1) Retail of daily commodities and food

The Directorate-General of Budget, Accounting, and Statistics (DGBAS) predicted an annual CPI increase of 0.14% due to mild global inflation rates, lukewarm domestic demands, and negative output gap. Commodity prices are expected to maintain stable for this year. This Corporation shall constantly monitor price fluctuations in the raw material market and continue to maintain positive interactions with its suppliers. We shall also make continuous adjustments to our product portfolio and improve our margin structures in order to reduce cost pressures brought about by future inflation and its impact to business operations.

#### (2) Life insurance

Current inflation rate will remain low in the short-term. However, inflation rates may increase and reach 2% within a few years. Other countries such as Japan and the EU are also committed to promoting inflation rates. Given the differences in economic development and statuses in various countries, this Corporation shall continue to review the impact of inflation in various countries when acquiring overseas properties in order to prevent return of investments (ROI) from being eroded by inflation.

#### (3) Pharmaceuticals

Changes to product manufacturing costs and operational expenses cost about NT\$ 1.2 billion in 2015. An increase of 2% in inflation rates will increase expenses by NT\$ 24 million. Inflation is a symptom of the overall economic environment, meaning that there is very little response measures that this Corporation could adopt. Potential responses of this Corporation include adequately increasing raw material inventory and reflecting inflation rates in sales prices with our customers.

#### (4) Others (system integration)

Given the nature of the industry, inflation would not result in significant impacts to this Corporation. However, we will continue to monitor trends of inflation.

### (2) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken:

#### 1. Retail of daily commodities and food

Loans to other parties, endorsements and guarantees, and derivatives trading engaged by the Corporation shall be based upon policies and response measures stipulated by *Procedure for the Acquisition and Disposal of Assets, Endorsement and Guarantee Operations*, and *Provision of Financial Loans to Other Parties*.

#### 2. Insurance

##### (1) Engagement in high risk or highly leveraged investments:

This Corporation focuses heavily in the management of its specific business sector. Capital utilization shall be based upon relevant regulations that govern the insurance sector, meaning that we have not invested in high risk sectors or engaged in highly leveraged investments.

##### (2) Loans to other parties, endorsements, and guarantees:

Article 143 of the *Insurance Act* stipulated that: *An insurance enterprise may not borrow funds from an outside party, act as guarantor for an outside party, or provide its assets as collateral for the debt of another.* The Corporation therefore provided no endorsement or guarantee to other parties. Loans from the Corporation were also provided according to the provisions in Article 146-3 of the *Insurance Act*.

(3) Conduct of derivatives trading:

The Corporation only engages in derivatives trading of derivatives already approved by the competent authority and only for the purpose of hedging. The gains or losses of these derivatives will be hedged against the specified product. Gains or losses of derivatives shall be regularly evaluated while associated activities shall be inspected accordingly in order to control currency exchange rates, interest rates, and price fluctuations.

Response measures to be taken in the future include proper use of maximum limits of overseas investments and adequate hedging tools. This Corporation will also strictly abide by the relevant regulations to achieve risk diversification, improve the stability of investment returns, and maximize the interests of the Corporation.

3. Pharmaceuticals

(1) Policy: The Corporation has always focused upon its particular business scope and does not engage in high risk or highly leveraged investment activities, and provided no capital loans to other parties nor provided any endorsement or guarantee. All derivatives trading were carried out for the purpose of hedging. The Corporation shall continue to strictly abide by relevant procedures for derivatives trading stipulated by both the competent authorities and the Corporation, and thoroughly review any relevant activity and strengthen the relevant control measures.

(2) Cause of profit or loss: Not applicable. No such conditions have arisen.

(3) Future response measures: None.

4. Others (system integration)

(1) High risk and highly leveraged investments, and derivatives trading:

The Corporation has adopted a conservative financial policy and neither engages in any high risk or highly leveraged investments nor derivatives trading. If the Corporation were to engage in such trading in the future, risk hedging shall be the primary purpose, and the said trading shall be compliant to the provisions of the *Procedure for the Acquisition and Disposal of Assets* (including derivatives trading) stipulated by this Corporation.

(2) Loans to other parties, endorsements, and guarantees

Loans to other parties as well as endorsements and guarantees carried out by the Corporation were compliant to the provisions of the *Provision of Financial Loans to Other Parties* and *Endorsement and Guarantee Operations* and were only initiated with the approval of the Board of Directors.

(3) Future R&D plans and expected R&D investments:

1. Retail of daily commodities and food

R&D investments of this Corporation primarily focused upon the development of new products or adjustments to product flavors, and was not a significant expense. Total R&D expenses amounted to NT\$ 727,000 in 2015, which accounted for 0.13% of net income after taxes (NIAT) of this business sector. No prediction was made for future

R&D expenses.

2. Life insurance

In addition to providing comprehensive life insurance products and services to our clients, this Corporation was also committed to satisfying the customer's diverse insurance and financial investment requirements. We constantly monitored market changes and developed protective and savings life insurance as well as health insurance and personal injury protection with multiple forms of coverages and payment models in order to cater to market demands. This Corporation also continued to develop innovative and pioneering products within the sector to develop new business forms for specific demographics, such as: Continue to release new investment products linked to assets listed in the separate accounts established for the interests of the insurance applicant or beneficiary utilized or managed by enterprises approved by competent authorities or those concurrently engaged in discretionary investment services in order to expand the market for investment-linked insurances, satisfy the financial requirements of the insured, and provide a solution in investment allocations. Annotated terms of various systems were also employed to satisfy the requirements of the insured. To meet the requirements of specific demographics, we have established insurance policies for women, men, children, as well as mothers and their children. Results of evaluations of current market trends conducted by the decision-making team also led us to believe that Taiwan will soon face the problem of an aging society. In addition to long-term care (or care-related) insurance products, we also released whole life health insurances for disability care in 2015. Insurances offering single disability payment (grades 1 to 11) as well as disability support installments (grades 1 to 6) with guaranteed payments for 180 months were provided. The large potential market for retirement allowances was also considered. The R&D team therefore invested significant efforts in developing group annuity insurance products to cater to the demands of the retirement allowance market.

R&D expenses include labor hours as well as costs incurred for software and hardware equipment needed to develop new products at the Product Department. Total R&D expenses in 2016 are expected to amount to NT\$ 32,000,000.

R&D project title	Current progress	Expected completion time Mass production time	Key factors influencing R&D success	Expected R&D investments
MTMS	Under development	May 2016	Key technology	Commercialization plans in the future will require an additional R&D investment of about NT\$ 35,000,000.
PMDOL	Under development	April 2016	Key technology	
Olivetol	Under development	August 2016	Key technology	

3. Pharmaceuticals

4. Others (system integration)

This Corporation is an IT service provider. In order to provide software applications integrated with high value IT services for enterprise clients, we shall continue to perfect business technologies and adopt an R&D philosophy to satisfy customer requirements. We shall also continue to develop next gen IT products and unique financial products for innovative sectors. Expected R&D investments shall be maintained at an annual sum of NT\$ 115,000,000. This figure will be adjusted according to business performance.

- (4) Changes to local and overseas policies and laws that impact the company's financial operations, and response measures:

1. Retail of daily commodities and food

This Corporation's management and business departments are constantly vigilant of changes to policies and laws related to our business units. We shall continue to consult professional opinions from our management department, attorneys, and CPAs to formulate response measures to comply with the law and reduce the impact to the finances of this Corporation.

2. Life insurance

(1) Changes to law: Amendments to the *Regulations Governing the Supervision of Insurance Solicitors* by the Financial Supervisory Commission (FSC) on April 6, 2016

Impact and response measures: This amendment allowed banks to act concurrently as an insurance agent or insurance broker with approval from the competent authority. Relevant departments within this Corporation have already established and implemented measures that correspond to the said amendments in order to safeguard consumer interests, cater to actual practice, and supervise and control business activities.

(2) Changes to law: Amendments to a number of articles of the *Regulations Governing Foreign Investments by Insurance Companies* by the FSC on March 31, 2016 Major contents:

- A. Added provisions for bonds issued or guaranteed by local governments of other countries, transferable certificates of deposits in foreign currencies issued by local banks, Taiwanese branches of banks from Mainland China, and Taiwanese branches of overseas banks that the insurer may invest in, as well as investment conditions and amounts of the aforementioned products.
- B. Added the condition where investments in subordinated financial bonds from overseas banks by the insurer must be provided with a credit rating of the said financial bond assessed and issued by an overseas credit rating agency (CRA) as well as standards for trading conditions and amount applicable to listed or over-the-counter certificates of foreign stocks or bonds.
- C. Added credit rating limits and investment amount calculations for corporate bonds and convertible corporate bonds issued by overseas companies, and corporate bonds with warrant invested by the insurer, where the said bonds are considered subordinate. Regulations also stipulate that any bonds rated as BB+ or equivalent not issued or guaranteed by the company must be reviewed by an insurance association according to the standards of the said association and reported to the competent authority for filing.
- D. Added that any foreign currency subordinated corporate bond and subordinated financial bond listed in TWSE/GTSM invested in by the insurer must be subject to relevant credit rating standards for bond-type investments and included when calculating the total investment amount.
- E. Added credit rating and limits to investment amount for subordinated financial bonds and subordinated corporate bonds from Mainland China invested in by the insurer.
- F. Amended the basis for controlling capital investment limits in real estate in other countries and Mainland China. Maximum limits of the proportion of equity ownership were defined for risk management which should adopt differential management. Limits to investment amount were stipulated for insurers with risk-based capital ratios (RBC ratio) of 200%, 250%, and 350%

during the most recent fiscal period respectively. Original articles were also removed accordingly. Separate discussions were carried out for amending articles that allow use-and-file methods for possible investments in real estate overseas or in Mainland China.

- G. Added that investments in overseas real estate by insurers must be verified by CPAs as well as verification procedure and information that must be publicly disclosed.
- H. Added regulations that stipulate total investments for establishing subsidiaries in Hong Kong and Macau by the insurer must count towards the limit of total investment amount in domestic or overseas insurance-related companies.

Impact and response measures:

- A. This amendment loosened restrictions for marketable securities investment tools to support capital utilization channels and their flexibility. This Corporation shall also formulate bonds and transferable certificates of deposits issued or guaranteed by local governments that offer investment dividends to improve return on investments. B.~E. The competent authority has clearly stipulated specifications and limits to credit ratings for subordinated bonds in order to control investment risks. This Corporation shall comply with the said specifications and limits. F.~H. This Corporation currently has no investments in overseas real estate or insurance-related companies overseas, and will not be affected by these regulations. This Corporation shall comply with these regulations when it engages in such investments in the future.
- (3) Changes to law: Amendments to Articles 8 and 9 to Regulations Governing *Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises* by the FSC on February 3, 2016. This Corporation shall carry out activities in compliance with these regulations. Major contents:
- A. Added that where a letter of opinion on the financial adequacy of the investment project issued by a certified public accountant and a letter of legal opinion on the legitimacy of the investment project issued by a qualified lawyer was furnished for an investment in an enterprise enumerated under Articles 3 and 4, the said investment may be exempt from required attachments of the investment plan and objectives. Also added that the insurer may be exempt from attaching the financial statement of the invested entity where the invested entity has been established for less than 1 year.
  - B. Loosened restrictions so that where the insurer made investments onto a project stipulated within the *Act for Promotion of Private Participation in Infrastructure Projects*, the insurer may implement applicable threshold values and corresponding qualifications after the investment. Additional definitions for total investment amounts for similar cases.

Impact and response measures:

- A. This Corporation is currently not part of any public utilities or social welfare enterprise project. These revised specifications would therefore exert no impact. However, the loosening of restrictions and simplification of required attachments would expedite review schedules of the competent authority, helping to speed up assessment and tendering processes when insurers participate in public investments. Loosened restrictions include that insurers would not require to submit an application to the competent authority where

total amount of investment in one and the same project of the insurer is under NT\$1 billion and 10% of its owner's equity. This shall shorten the time required by insurers when engaging in similar investments. However, this Corporation has little such investments and most investments amounted to less than NT\$ 1 billion, limiting the impact of such regulations.

- (4) Changes to law: Chin-Kuan-Pao-Shou-Tzu Document No. 10402543351: Implementation of provisions of Article 7 of *Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises*

Impact and response measures: Ruling to the provisions of Article 7 of *Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises* was released on October 22, 2015, by Chin-Kuan-Pao-Shou-Tzu (Document No. 10402543351. Major penalties or fines levied by the competent authorities as well as state of consumer protection of the insurer shall be used as management indicators for routine evaluation of policy underwriting. With the exception of management indicators referenced in 2016 with an assessment period from October 22, 2015 to December 31, 2015, the assessment period of management indicators from 2017 (inclusive) onwards shall be from January 1 to December 31 of the previous year. The applicable period of the policy underwriting standards shall be April 1 to the following March 31. Insurers shall complete evaluations and corrections to their policy underwriting standards before every March 31. However, if the competent authority has penalized an insurer's business solicitation or policy underwriting activity, the said evaluations and corrections must be completed within 1 month from the date of occurrence of the event penalized. Monitoring shall be carried out according to policy underwriting differentiation standards, with 3 levels of differentiated management indicators:

- Stricter standards of policy underwriting (20% reduction in current policy underwriting standards)
- Applicable to current policy underwriting standards
- Insurer may establish its own policy underwriting standard, but the said standard must be submitted to the competent authority for filing according to the relevant regulations

Increased penalties will require insurers to adjust standards related to survival analysis and financial underwriting. This may exert a significant degree of impact upon policy underwriting policies and business solicitation. Such risks must therefore be monitored. Various regulations must be reviewed to avoid such operational risks.

In response to this ruling, the contract department shall integrate information of entities related to this project, conduct thorough assessments of these indicators, implement regular follow-ups, and formulate response measures as required.

- (5) Changes to law: Amendments to a number of articles of the *Regulations Governing Foreign Investments by Insurance Companies* by the FSC on August 14, 2015. Major contents:

- A. Added the provision allowing insurers to provide foreign currency loans. Regulations were also established requiring insurers to establish

specifications on credit investigations and loan approval procedures as well as risk management, have the loan approved by the Central Bank, provide the loans according to the provisions of the *Regulations Governing Foreign Exchange Business of Insurance Enterprises* and *Regulations Governing Offshore Insurance Branches* as well as limits of the loan, setting of collaterals, and setting aside of allowances for accounts uncollectible.

- B. Added the provision that overseas investments of the insurer must be implemented according to self-regulatory codes governing overseas investments established by insurance associations.
- C. Added the provision where insurers with a certain proportion of foreign securities under the custody of a domestic custodian may increase the number of BBB+ to BB+ corporate bonds as rated by an overseas credit rating agency (CRA) and the limit on the investment amount of convertible corporate bonds and warranted corporate bonds issued by non-domestic companies.
- D. Added qualifications to be met by custodians commissioned by the insurer. Added the provision that overseas assets of and trading of TWSE/GTSM listed foreign stocks or debt certificate investments by insurers whose capital adequacy ratio (CAR) fail to meet legally stipulated limits shall be transferred to the custody of a domestic custodian who meet a certain set of criteria within a specified period of time. Added specifications that insurers shall comply with regarding the commissioned custody of foreign assets as well as items to be listed in custody contracts.
- E. Added specifications that insurers shall commission a CPA in reviewing the effectiveness of internal controls for overseas investments.

Impact and response measures:

- A. Loosening of foreign currency loans will support capital utilization channels and flexibility. This Corporation shall also formulate and develop revenue-based financing opportunities to improve investment dividends and diversify investment risks.
- B. Self-regulatory codes of the insurance association were regarded as an extension of statutory regulations. Penalties resulting from violations of these self-regulatory codes may be increased. This Corporation shall therefore continue to enhance the stringency of internal compliance to reduce the possibility of violating the relevant regulations.
- C. These regulations could be considered as part of the import substitution policy. This Corporation shall evaluate feasible approaches to comply with government policies.
- D. These regulations would be considered part of the import substitution policy which imposed more stringent regulations on overseas custodians (institutions that did not establish a branch in Taiwan). All custodians that this Corporation engaged with were compliant to the relevant qualifications. However, adjustments shall be made to comply with statutory regulations governing custodians and custody contracts of bonds on international boards.
- E. This Corporation has commissioned our CPAs to review the effectiveness of internal controls for overseas investments.



- (6) Changes to law: Amendments to the Implementation Rules of Internal Audit and Internal Control System of Insurance Companies by the FSC on May 12, 2015.

Impact and response measures:

- A. Key amendments for these Rules were based on the revised COSO report of the US as well as considerations for actual practice within Taiwan, and included changes to the objectives and key components of the internal control system. Since the revised COSO report highlighted the principles of corporate governance, management of audit committee meeting activities were also included as part of the internal control system. Additional provisions were also established such that when the insurer intends to establish or revise the internal control system, or to appoint or dismiss the lead auditor, the insurer must first obtain the agreement of an audit committee if this committee has already been established. The auditor shall include the management of audit committee meeting activities as a general assessment item to be disclosed in the internal audit report.
- B. In order to ensure the independence of internal auditors when conducting the auditing process, additional provisions require that stand-ins for internal auditors shall be other internal auditors.
- C. The scope for declaring internal control system defects, nonconformities, and state of corrective actions was considered and should not be limited to findings identified during internal audits, and instead include any findings from inspections conducted by the competent authority, CPAs, and external inspectors as well as routine monitoring by the competent authority.

Response measures to the aforementioned revisions have been completed and enforced by the Auditing Office and relevant departments within this Corporation.

Changes to law: Amendments to *Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises* by the FSC on April 7, 2015. Major contents:

- A. Added that an insurer who meets certain criteria and invests in public utilities and social welfare enterprises, and where such investments were reported and approved by the competent authority, the said insurer can be exempt from restrictions where investment amount to the same entity may not exceed 45% of the paid-in capital of the invested entity. For an insurer who meets certain criteria and making an investment below a specified sum and where the said investment is made onto a project described in the *Act for Promotion of Private Participation in Infrastructure Projects*, the said insurer may submit relevant investment documentation to the competent authority for review after making the said investment.
- B. Added the provision where insurers shall establish internal audit systems and handling procedures for investments in special projects, public utilities, and social welfare enterprises. Where investments to the same invested entity exceed half of the paid-in capital of the said invested entity, or where the quantity of voting shares issued exceed half of the total shares, the said insurer shall comply with relevant controls for supervision and

internal audit management, and shall implement relevant regulations governing information disclosure.

Impact and response measures:

- A. These regulations were established to loosen restrictions, improve flexibility, and provide incentives for insurers making investments described in the *Act for Promotion of Private Participation in Infrastructure Projects*. This Corporation shall thoroughly review participation in similar projects to improve return on investments.
  - B. The new regulations were part of management measures for the aforementioned loosening of restrictions. This Corporation shall revise its internal specifications in compliance with the law.
- (7) Changes to law: Documented interpretation for the *Handling Principles and Recognized Standards for Immediacy of Use and Benefits of Real Estate Investments of Insurance Enterprises* released by the FSC on March 6, 2015. This specification is a ruling released on occasion by the competent authority regarding the revised principles for determining the status of real estate investments of insurers. The original ruling was issued on February 19, 2014 and has been upheld by various insurance companies. The following lists key differences of this ruling when compared to the previous:
- A. Added that with FSC approval, insurers may be exempt from the restriction where ownership of real estate acquired by the insurer may not be transferred within 5 years if the said real estate were unable to meet recognized standards for immediate use or provision of benefits upon acquisition, and that usage benefit improvement plans approved by the board of directors of the insurer were implemented but failed to achieve improvements after 2 years, or if standards for immediate use and provision of benefits were met during 2 years' time but failed to last longer than 6 consecutive months and that total duration for failing to meet the said standards exceeded 2 years without improvements.
  - B. Specifications that clearly stated that insurers may be exempt from the requirement that document submission for construction permit applications must be completed within 9 months after acquisition during urban design review and verification of undeveloped land investments for specific purposes.
  - C. Existing regulations where *letter of intent for lease shall be obtained before investment* for undeveloped land were revised to *documents for product planning and financial calculations demonstrating compliance for immediacy of use and provision of benefits shall be submitted before investment*.
  - D. Government-approved regional development plans, real-estate needed by long-term care companies, and surface rights that are part of the government's public construction project and where the competent authority has defined a development schedule shall neither be subject to compliance criteria for undeveloped land investments nor regulations on the deadline for the submission and approval for immediate use of the project.
  - E. Clearly stated that land development and construction completion was over 50% prior to November 19, 2012 may be exempt from the regulation

*where up to 1 application may be submitted to the competent authority for approving exemption from compliance criteria for investments in undeveloped lands for investments in adjacent land of land already held.*

- F. Added the provision that insurers shall report the use and benefits of overall real estate investments to the board of directors. For investments where ratio of real estate value to rental income (100 / annualized rate of return) exceed 35, the board of directors shall approve a usage benefit improvement project. The audit department shall submit audit reports on the implementation progress of the improvement plan to the board of directors every quarter.
- G. Annualized rate of return was adjusted from being no less than 2-year fixed deposit floating interest rate provided by Chunghwa Post plus 1.5% to no less than the said floating interest rate plus 0.5%.
- H. Removed the regulation where extensions to the deadline for immediate use may be applied for investments that fail to meet standards for immediate use and provision of benefits.

Impact and response measures:

- A. These regulations allowed exception management by the competent authority and retained flexibility in managing special cases, allowing insurers to maintain flexibility in improvements.
- B. Urban design review and verification are procedures of public service agencies and their duration would be outside the control of insurance companies. Hence, restrictions were loosened to provide a more reasonable specification for insurers investing in undeveloped land.
- C. This regulation is an adjustment in response to management practice and prevent insurers from circumventing the law by using letter of intent of lease. This Corporation shall comply with the law and implement the relevant measures.
- D. This regulation encourages insurers to participate in government approved regional development projects and the long-term care industry. This Corporation currently has no such investments and therefore would be unaffected by this regulation.
- E. This regulation loosened restrictions for the development of land adjacent to existing undeveloped land investments, and would positively influence insurers with large amounts of existing land investments.
- F. This regulation has strengthened supervisory responsibilities of the board of directors of insurers. This Corporation shall comply with the regulations and implement the relevant measures.
- G. Lowering of standards on rate of investment returns will encourage insurers to invest in real estate, but this Corporation shall continue to thoroughly review potential investments to ensure proper returns and avoid any appraisal loss.
- H. Loosening of project submission and approval specifications allow insurers to use project submission and approval approaches for real estate acquired after November 19, 2012 that fail to meet standard rate of return. This measure benefits real estate investments, but currently exerts no impact upon this Corporation as we do not have any investments that meet the criteria stipulated by this regulation. The most recent changes to law have

reduced the minimum limit for return of investments (ROI). However, ROI of existing assets of this Corporation would be unaffected as all these assets were compliant with relevant regulations. We shall continue to ensure that newly acquired assets comply with the revised ROI limits.

3. Pharmaceuticals

To ensure production quality and enforce source management of active pharmaceutical ingredients (APIs), the Ministry of Health and Welfare (MOHW) of Taiwan has actively promoted relevant policies governing API companies, requiring all API companies in Taiwan to achieve full compliance to GMP standards by December 31, 2015. Any nonconforming pharmaceuticals, whether locally produced or imported, shall be taken off the market gradually in order to strengthen controls over pharmaceuticals and to reduce quality risks. SCI Pharmtech successfully passed new quality inspection items as well as routine GMP inspections conducted by the Food and Drug Administration (FDA) in October 2015. As for international laws, the EU released draft amendments for the GMP Annex 15 which imposed strict specifications for pharmaceutical production technologies and sites. The US also promulgated safety laws for pharmaceutical supply chains and a more stringent United States Pharmacopeia. The 2 new products of SCI Pharmtech were successfully approved in comprehensive reviews. Japan is also amending its pharmaceutical laws, while the China Food and Drugs Administration (CFDA) promulgated new registration and payment standards for pharmaceutical and medical device products. These legal revisions were expected to expedite review cycle time for drug permit registrations. SCI Pharmtech has registered a new drug classified as an API in China. Official approval from the Chinese government for clinical trials may be issued within this year to our partnering preparation company, while official approval for market release from the Chinese government could be provided to SCI Pharmtech at the same time. Nevertheless, new payment standards have increased registration costs. In general, health authorities around the world have imposed increasingly stringent monitoring upon the medical pharmaceutical industry.

4. Others (system integration)

This Corporation has initiated relevant measures in response to changes to corporate governance and the Company Act enacted by the competent authority. These changes currently exert no material impact upon this Corporation's financial operations.

(5) Changes to technology and industry that impact the company's financial operations, and response measures:

1. Retail of daily commodities and food

Introducing new technology to update storefront POS systems while developing in network sales, establishing ERP to integrate internal resources, and developing SCM systems to connect goods import, sales, warehousing, and payment operations with our suppliers to achieve effective reductions of inventory size and manual labor operations. We also established network phones to reduce communication costs, using technological advancements to further reduce management and operational costs while improving efficiency.

2. Life insurance

Continuing advancements in information technology (IT) allow this Corporation to utilize various advanced technologies in developing IT systems, improve policy handling and management processes, diversify customer services, support sales

development projects, compile business management data, and strengthen risk control. These efforts have already helped to reduce operational costs, improve operational efficiency and customer satisfaction, and attain the objectives of good business management. In addition to developing and deploying IT systems, we also introduced information security management systems and was successfully certified to ISO 27001:2013 to minimize IT utilization risks. Extensive deployment of IT systems allowed this Corporation to pursue continuing improvements to business competitiveness after establishing effective controls for various business risks. Changes to technology and industry would therefore exert zero material impact upon the financial operations of this Corporation.

3. Pharmaceuticals

Changes to technology and industry currently exert zero material impact upon the financial operations of this Corporation.

4. Others (system integration)

Advancements in IoT, mobile applications and services, and wireless communication and transfer will help benefit market expansion and expand the potential of IT services and system integration. Such changes would provide a positive impact to this Corporation.

(6) Changes to corporate image that impact the company's risk management, and response measures:

1. Retail of daily commodities and food

This Corporation has over 30 years of experience in the service sector and continued to uphold an open and forward-looking corporate culture to provide consumers with cheap and quality products, fulfill market requirements. We also place great importance upon customer feedback to sustain our positive corporate image. Recent efforts include introduction of new business models to diversify products and services provided and to expand business scale. This Corporation has established an Emergency Response Task Force composed of members from various departments in order to promptly and effectively respond to contingencies and reduce business risks.

2. Life insurance

This Corporation spent over 20 years developing a customer base, dedicated its entire effort upon the primary business focus of insurance services, and actively participated in various social services and public charities. In response to varying levels of risks that may occur, we have established corresponding procedures for handling severe, isolated incidents and business risk responses. We also established an Emergency Response Task Force to improve organizational response capacities.

3. Pharmaceuticals

There is currently no incident of corporate risk management.

4. Others (system integration)

This Corporation has always upheld the business principles of professionalism and trust and placed great importance on corporate image and risk control. There is currently no foreseeable risk.

(7) Expected benefits and possible risks of mergers and response measures:

In order to improve overall business performance and market competitiveness, the Board of Directors resolution of April 30, 2014 as well as Board of Shareholders resolution of

June 20, 2014 approved the cessation and transfer of non-investment related businesses (including assets, liabilities, and business operations) to the newly established and wholly owned subsidiary of MERCURIES & ASSOCIATES, LTD. New shares issued to the Corporation by the newly established subsidiary shall be treated as considerations. January 1, 2015 would be the standard date of cessation, after which the Corporation was formally transformed into an investment holding company.

The primary purposes of this cessation were organizational adjustment, work specialization, and consolidation of resource allocation within the Corporation to improve overall business performance and market competitiveness of the Corporation.

Primary businesses ceded from this Corporation were transferred to a wholly owned subsidiary. The primary business model as well as goods import and sales remain unchanged, generating zero risks to overall shareholder equity.

Fu Bao also merged is wholly owned subsidiary of Mercuries-Jeantex on the standard date of January 1, 2016.

No merger or acquisition took place for the remaining primary investees of this Corporation in the most recent fiscal year up to the date of printing of the annual report.

(8) Expected benefits and possible risks of expanding factory buildings and response risks:

1. Retail of daily commodities and food

The logistics center established is expected to provide the required warehousing and logistics capacity for 500 retail stores to further improve transport and allocation efficiency.

2. Life insurance

No expansion to factory plants as this is a life insurance company.

3. Pharmaceuticals

Additional investments in factory buildings and equipment were required to support growth of this Corporation with this sector. The newly acquired plant and equipment will be effectively utilized and provide positive benefits to future operations. If sales volume fail to reach expected values, the negative impacts could include idling of production capacity and increased production costs. Additional efforts shall be committed to secure additional business and improve capacity utilization rate.

4. Others (system integration)

No expansion of factory buildings in the most recent fiscal year up to the date of printing of the annual report.

(9) Risks resulting from consolidation of purchasing or sales operations and response measures:

1. Retail of daily commodities and food

This Corporation is a retail and distributor of daily commodities and food. With the exception of alcohol products which were sold under monopoly, the sales of other products were extremely distributed. There is no risk of consolidation of purchasing or sales.

2. Life insurance

Insurance income for life insurance companies were derived from the general public, and sales were not directed to any particular targets. This Corporation also has about 2 million effective policy holders, meaning that there is no risk of consolidation of sales.

Due to the nature of this industry, this Corporation also carries out no purchasing in this sector.

3. Pharmaceuticals

Most import suppliers and trade debtors of this Corporation would be trading counterparties with long-term and close relationships with this Corporation, resulting in low risk levels. The largest supplier accounted for 22.84% of total procurements, while the largest client accounted for 15.72% of total sales. There is no risk of excessive consolidation of purchasing or sales.

4. Others (system integration)

With the exception of goods suppliers such as Hitachi-Omron Terminal Solutions, Corp. and original dealers with exclusive distributors in Taiwan, there is no consolidation of purchases from any particular company. Given the diversity of products sold and relatively different customer groups, there is no relative or particular consolidation of sales to any single customer.

(10) Impacts, risks, and response measures resulting from major equity transfer or replacement of directors, supervisors, or shareholders holding more than 10% of the company's shares: There is no incident of major equity transfer.

(11) Impact, risk, and response measures related to any change in governance rights in the company: There is no change to corporate governance rights.

(12) Any litigious or non-litigious matters or administrative disputes up to the publication date of this report where the company and company directors, supervisors, general managers, person with actual responsibility in the company, and major shareholders holding more than 10% of the company's shares and affiliated companies who have been concluded through final judgment or still under litigation, to be a party thereof, and where the results thereof could materially affect the shareholders' equity or prices of the company's securities, as well as the facts of the dispute, amount of money at stake, date of litigation commencement, and main parties to the litigation:

With the exception of Mercuries Data Systems Ltd. (MDS), no primary investee of the Corporation are subject to litigious or non-litigious matter. The following describes the litigious matter encountered by the aforementioned company:

1. In order to provide an order of 3,525 desktop computers ordered by Xcitek Inc. (hereinafter referred to as "Xcitek"), MDS made an order to Dazhi Tongshang Gufen Youxian Gongsi (hereinafter referred to as "Dazhi") with the terms of purchase dictating Xcitek shall directly forward their payments to Dazhi. Although Xcitek informed MDS that the computers were received, MDS found out in March 2004 that Dazhi did not actually provide the ordered goods to Xcitek, leading to MDS believing that this was an incident of criminal fraud, and thus reported this incident to the criminal investigation division in April 2004. Since Dazhi has already transferred MDS claims worth NT\$ 68,677,000 to CTBC Bank in December 2003, CTBC bank then decided to request a transfer of the said claims and demanded payment for the said claims in July 2004. After losing the lawsuit during the 1st and 2nd hearings, the Supreme Court ruling of November 27, 2007 believed that the original court failed to investigate evidences and that Dazhi and Xcitek were participants in collaborated fraud in the guise of sales against MDS and so on, and that evidence stands for this suspected criminal behavior. The case was thus returned to the Taiwan High Court for retrial (1st retrial). After retrial, MDS again lost the lawsuit according to the court

ruling of March 3, 2009, and was charged with infringement and obligated to provide a compensation. However, MDS re-appealed against this ruling and the (2nd) ruling from the Supreme Court on October 8, 2009 recognized the advantage of prescription for the defense of extinctive prescription for employees cited by MDS in the original trial, and the fact that despite acquiring claims for the return of monetary expense and loans from Dazhi, CTBC Bank failed to initiate any act of recovery from Dazhi or its surety, and therefore was not subject to actual injuries. The original court failed to take these into consideration, and the case was thus returned to the Taiwan High Court for retrial (2nd retrial). During the 2nd retrial of this case, the court ruling of November 16, 2010 annulled the original ruling and dismissed the applications of CTBC Bank during the 1st trial. The reason given for this ruling was that the demand of CTBC Bank for MDS to be liable for compensations of injuries caused by infringement as stated under Article 23-2 of the *Company Act* as well as Article 28 of the *Civil Code* was baseless. Although MDS is indeed liable for compensating injuries of CTBC Bank caused by infringement as stated under Article 188-1 as well as the first half of Article 184-1 of the *Civil Code*, CTBC Bank, by its own admissions, failed to initiate any act of recovery from Dazhi or its joint issuers. Whether claims of supposed injuries of CTBC Bank stand will be determined by the sum that CTBC Bank has sought to recover. Since there was no act of recovery, it was difficult to prove the actual presence of injuries. Additionally, CTBC Bank has the right to demand Dazhi to compensate its injuries, and may refer to bill relationships to demand compensation from Dazhi and its joint issuers. Since claims were already acquired and that there were no reduction in total financial assets, there was no instance of injury. Since CTBC Bank is unable to prove actual injury, its request for MDS to provide payments was baseless. CTBC Bank then appealed (3rd appeal) to the Supreme Court. The court ruling of March 22, 2012 believed that no investigation was carried out for evidences that should be investigated for determining whether CTBC Bank was indeed injured in this case. The allocation of the burden of proof remained contentious, and should be further reviewed. The original ruling regarded that CTBC Bank incurred no injury, which would be considered unfair to the claims of CTBC Bank and could be considered an overly quick judgment. This case was thus returned to the Taiwan High Court for retrial (3rd retrial). The ruling of the 3rd retrial of September 4, 2012, annulled the original ruling and dismissed the claims and requests of CTBC Bank. This ruling believed that even if MDS, a contracted party, has indeed infringed upon CTBC Bank, MDS and its contracted employees shall be jointly obligated to providing the compensation. However, the 2-year period for CTBC Bank for claiming infringement against MDS and its contracted employees has already expired. According to the provisions of the Civil Code and corresponding precedent rulings of the Supreme Court, MDS cited the rights of defense for contracted employees of MDS according to prescription, and its claim of release from its obligations shall be substantiated. The court ruling of the 3rd retrial therefore dismissed the claims of CTBC Bank. CTBC Bank then submitted an appeal (4th appeal) against this ruling to the Supreme Court which then gave a ruling of October 23, 2013 that although MDS provided a well-grounded citation of its advantages in prescription for its contracted employees as a defense against the claim of CTBC Bank, the original trial failed to perform thorough investigations whether or not the said employee was qualified as a managerial officer in MDS or *other person entitled to represent* MDS as prescribed in Article 28 of the *Civil Code*, which would be unfair against the claims of CTBC Bank and could be considered an overly quick judgment. The case was therefore returned to the Taiwan High Court for retrial (4th



retrial). The court ruling of the 4th retrial of March 25, 2014, ruled MDS as the winner of the case. The part of the trial ordering MDS to provide payment was annulled, and the claim of CTBC Bank in the 1st trial was dismissed. CTBC Bank then submitted an appeal to the Supreme Court, and the Supreme Court ruled on February 13, 2015 that the case shall be returned to Taiwan High Court for retrial (5th retrial). The court ruling of the 5th retrial on August 26, 2015 dismissed the appeal of MDS. MDS therefore re-appealed on September 18, 2015. Taiwan High Court then transferred the documents and evidences to the Supreme Court on October 26, 2015. The Supreme Court ruling was received on January 4, 2016 and the ruling recognized the reasons for the court ruling of the 5th retrial for the dismissal of the appeals of MDS, finalizing the case. MDS must provide a payment of NT\$ 87,967,000, including the principal, interests, and various expenses. The entire sum was paid on February 2016.

2. MDS has a dispute with ACION TECHNOLOGIES INC. (hereinafter referred to as “ACION”) over procurements for the Rent of Various District Monitoring Systems of the Civil Affairs Bureau of Kaohsiung City Government. The claim of ACION demanded MDS to pay construction expenses provided in the contract and additional construction expenses that amounted to a total of NT\$ 39,823,000. MDS made a counterclaim against ACION for disputes on the unpaid portion of the construction cost based upon the contract, claiming release from obligations towards injuries caused by the debt, and claiming to offset the amount owed. MDS lost the lawsuit according to the ruling of the court of first instance of October 28, 2009, and was required to provide ACION a payment of NT\$ 2,230,000. MDS then appealed to the Taiwan High Court which then dismissed the said appeal on July 20, 2010, and that MDS shall provide ACION with an additional payment of NT\$ 6,043,000 (which included a warranty deposit that shall be returned by MDS upon expiration of the warranty period on December 31, 2009). The Supreme Court ruling of December 24, 2010, annulled the entire case which was then returned to Taiwan High Court for retrial (1st retrial). The court ruling of the 1st retrial of July 4, 2012 dismissed the appeal of MDS. In addition to the sum of NT\$ 2,230,000 that shall be paid to ACION as stipulated by the ruling of the 1st trial, MDS shall provide ACION another payment of NT\$ 17,100,000. An appeal to the case was submitted to the Supreme Court which believed that the exemption of ACION from any responsibility for the delayed completion of the project was suspect and detailed investigations had not been conducted accordingly. The original ruling was therefore annulled and the case was returned to the High Court for retrial. The case is undergoing judicial review by the High Court (2nd retrial). Following the principle of conservatism, MDS recognized a loss of NT\$ 2,229,000 in 2009 which was listed as an item within noncurrent-liability - reserve liability.

(13) Other material risks and response measures: There is no other material risk.

7. Other important issues: None

## 8. Special Disclosure

### 1. Affiliated businesses

#### (1) Consolidated business report of affiliated businesses

##### 1. Organization structure of affiliated businesses (December 31, 2015)

Controlling company	Affiliated company	Shareholding percentage	Affiliated company	Shareholding percentage	Affiliated company	Shareholding percentage
MERCURIES & ASSOCIATES, HOLDING LTD	MERCURIES & ASSOCIATES, LTD	100%—	Mercuries Foodservice Japan, Ltd	83.33%		
			Mercuries Leisure Co., Ltd.	2.81%		
	Mercuries Harvest Co., Ltd.	100%	— Mercuries Leisure Co., Ltd.	0.97%		
			Mercuries Leisure Co., Ltd.	9.49%		
	Napoli Co., Ltd.	100%—	Mercuries Food Service (continued at Part 2)	45.74%		
			Mercuries Life Insurance	0.61%		
	Mercuries Life Insurance	44.47%				
	Tamg Fwu Enterprise Co., Ltd.	45.00%			Mercuries Life Insurance	1.04%
			Mercuries Life Insurance	1.87%	WAYIA.COM Inc.	1.71%
			Mercuries-Jeantex Ltd.	100%	HIPACT TECH. INC	5.17%
			Mercuries Leisure Co., Ltd.	4.72%	Mercuries Leisure Co., Ltd.	0.51%
	Mercury Fu Bao Co., Ltd	100%—	SCI Pharmtech Inc. (continued at Part 4)	0.11%	SCI Pharmtech Inc. (continued at Part 4)	1.15%
			Asiandawn Venture Inc (continued at Part 1)	48.37%	Asiandawn Venture Inc (continued at Part 1)	25.97%
			Mercuries Food Service (continued at Part 2)	7.62%		
	Mercuries FoodServices Japan Ltd	16.67%				
	Mercuries Data Systems Ltd. (continued at Part 3)	53.44%				
	Mercuries General Media, Inc.	86.96%				
	Mercuries Leisure Co., Ltd.	63.14%				
	HIPACT TECH. INC.	8.61%				
	WAYIA.COM Inc.	1.81%				
	Asahi & Mercuries Co., Ltd.	50.0%	- Shang Rih Co., Ltd	100%		
	Mercuries Furniture Co., Ltd.	100%	- Mercuries Life Insurance	0.38%		
	SCI Pharmtech Inc. (continued at Part 4)	33.27%				
	Simple Mart Trading Co., Ltd.	100%				
	Sanyou Drugstores, Ltd.	50%				
	Monteur & Mercuries Co., Ltd.	50%				
	Mercuries Bakery Co., Ltd.	100%	- Mercuries Food Service (continued at Part 2)	21.33%		
	Mercuries Life Insurance Agency	100%				
	Tasty Noodle Co., Ltd.	100%	- Mercuries FoodService (Shanghai) Co., Ltd	52.63%	- Shanghai Sanshang Canying	100%
	Family Shoemart Co., Ltd.	100%	- Mercuries Rich	63.48%		
	Mercuries FoodService (continued at Part 2)	25.31%				
	Asiandawn Venture Inc (continued at Part 1)	16.62%				

# 1. Organization structure of affiliated businesses - continued (December 31, 2015)

Controlling company	Affiliated company	Shareholding percentage	Affiliated company	Shareholding percentage	Affiliated company	Shareholding percentage
Asiandawn Venture Inc (continued at Part 1)	-		Shanghai Kunlun-Taiwan Shopping Mall Co., Ltd	100%	-	Shanghai Fu Trade Co., Ltd. 7.23%
Mercuries Food Service (Continued at Part 2)	-		Mercuries FoodService (Shanghai) Co., Ltd	47.37%	-	Shanghai Sanshang Canying 100%
			Mercuries Rich.	29.29%		
			Mercuries Bakery (Shanghai) Limited Company	100%	-	Shanghai Bakery Cafe Limited Company 100%
Mercuries Data Systems Ltd. - (Continued at Part 3)	-		WAYIA.COM Inc.	58.33%		
			MERCURIES DATA SYSTEMS INTERNATIONAL LTD.	100%	-	Core Info Tech Limited 100%
			Mercuries Life Insurance	0.26%		Mercuries Soft (Nanjing) Ltd. 100%
			HIPACT TECH. INC.	72.8%		
			Mecuries Information Systems International Co., Ltd	100%		
			It Union Limited	100%		
SCI Pharmtech Inc. (continued at Part 4)	-		Yushan Holding Universal Ltd.	100%	-	Yushan Pharmaceuticals, Inc. 100%

Note: Mercuries-Jeantex has been merged with Mercuries Fu Bao on January 1, 2016, and has been extinguished as a result.

## 2. Basic information of various affiliated businesses

Unit: Thousand NT\$; December 31, 2015

Company name	Date established (year)	Address	Actual paid-in capital	Primary business or products
Mercuries Harvest Co., Ltd.	September 4, 1990	11F, No. 145, Section 2, Jianguo North Road, Taipei City	90,000	Leasing, purchasing, and sales of various machinery and equipment.
Napoli Co., Ltd.	December 7, 1996	11F, No. 145, Section 2, Jianguo North Road, Taipei City	499,500	Pizza franchise
Mercuries Life Insurance Co., Ltd.	June 12, 1993	7F, No. 145, Section 2, Jianguo North Road, Taipei City	15,877,023	Personal insurance services
Tarng Fwu Enterprise Co., Ltd.	December 18, 1963	11F, No. 145, Section 2, Jianguo North Road, Taipei City	60,000	Purchasing and sales of agricultural and animal farming products
Mercury Fu Bao Co., Ltd.	June 20, 1979	11F, No. 145, Section 2, Jianguo North Road, Taipei City	2,362,600	Purchasing, sales, and distribution services for beverages and tobacco
Mercuries Data Systems Ltd	December 9, 1976	4F-3, No. 2, Street 150, Section 5, Xinyi Road, Taipei City	1,873,145	Purchasing, sales, processing, and installation services for computer machinery and equipment
Mercuries General Media, Inc.	November 18, 1988	2F, No. 145, Section 2, Jianguo North Road, Taipei City	48,300	Production and distribution services for imported videos
Mercuries Leisure Co., Ltd.	September 23, 1989	11F, No. 145, Section 2, Jianguo North Road, Taipei City	711,000	Recreational and entertainment services
HIPACT TECH. INC.	July 29, 2000	4F-3, No. 2, Street 150, Section 5, Xinyi Road, Taipei City	2,000	Business management consultation, and computer equipment installation
WAYIA.COM Inc.	March 1, 2000	4F-4, No. 2, Street 150, Section 5, Xinyi Road, Taipei City	210,000	Mobile securities trading, and e-business
Asahi & Mercuries Co., Ltd.	September 8, 2008	2F, No. 57, Wuquan Road, Wugu District, New Taipei City	200,000	Distribution of tobacco, alcohol, beverages, and food
Mercuries Furniture Co., Ltd.	January 4, 2001	18F, No. 145, Section 2, Jianguo North Road, Taipei City	180,000	Distribution and retail sales of furniture
SCI Pharmtech Inc.	September 18, 1987	No. 186-2, Haihu Village, Luzhu District, Taoyuan City	762,177	Processing, manufacturing, and sales of active pharmaceutical ingredients (APIs) and API intermediates
Simple Mart Trading Co., Ltd.	February 7, 2013	11F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	1,000	Trade
Sanyou Drugstores, Ltd.	August 22, 2012	15F, No. 145, Section 2, Jianguo North Road, Taipei City	350,000	Distribution and retail of cosmetics and drugs
Monteur & Mercuries Co., Ltd.	January 2, 2014	10F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	120,000	Production of baked foods
Mercuries Bakery Co., Ltd.	December 7, 2006	11F, No. 145, Section 2, Jianguo North Road, Taipei City	32,092	Production of baked foods
Mercuries Life Insurance Agency Co. Ltd.	November 28, 2008	7F-8, No. 2, Street 150, Section 5, Xinyi Road, Taipei City	3,000	Insurance agency
Mercuries-Jeantex Co., Ltd. (Note 2)	November 5, 1980	11F, No. 145, Section 2, Jianguo North Road, Taipei City	1,450,677	Distribution agent, purchasing, and sales of tobacco and alcohol
Shang Rih Co., Ltd	May 25, 2009	2F, No. 57, Wuquan Road, Wugu District, New Taipei City	5,000	Distribution of tobacco, alcohol, beverages, and food
Mercuries FoodService Japan, Ltd.	February 28, 2014	5-1-3, Utsukushigaoka, Aoba-ku, Yokohama-shi Tama-Plaza center Building 2F D room	JPY 210,000,000	Import, export, and sales of food, food service equipment, and miscellaneous supplies, restaurant management, purchasing and sales of real estate, and rental management
Mercuries FoodService Co., Ltd.	July 28, 2005	Samoa	USD 19,680,000	Holding company

Company name	Date established (year)	Address	Actual paid-in capital	Primary business or products
Asiandawn Ventures Inc.	December 2, 1994	Sea Meadow House Blackburne Highway, P.O. Box 116, Road Town, Tortola British Virgin Islands.	USD 28,630,000	Holding company
It Union Limit	July 25, 2003	Samoa	-	Purchasing and sales of electronic equipment
Yushan Pharmaceuticals, Inc.	June 24, 2013	No. 186-2, Neighborhood 16, Haihu Village, Luzhu District, Taoyuan City	371,000	Process development for APIs and intermediates
Yushan Holding Universal Ltd.	November 12, 2013	Floor4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands	374,750	Holding company
Mercuries Data Systems International Ltd.	August 1, 2000	British Virgin Islands	USD 9,010,000	Design, development, production, and sales of automatic teller machines (ATM) and network communication equipment
Core Info Tech Limit	August 23, 2000	29 <sup>th</sup> Floor Wing On Centre 111 Connaught Road Central Hong Kong	USD 9,100,000	Design, development, production, and sales of automatic teller machines (ATM) and network communication equipment
Mercuries Soft (Nanjing) Ltd.	December 26, 2002	No. 349, Yaixin Boulevard, Nanjing Economic and Technological Development Zone, Nanjing, China	USD 13,500,000	Development, production, and sales of computer software and mail software; management of proprietary products; relevant technical inquiries and services
Tastynoodle Co., Ltd.	June 22, 2011	Samoa	USD 5,000,000	Holding company
Mercuries FoodService (Shanghai) Co., Ltd	September 22, 2005	Room 116, Building 1, No. 488, Eshan Road, Pudong New Area, Shanghai City	RMB 62,850,000	Food retail
United Developers Of Taiwan PTE LTD	February 24, 1994	Singapore	USD 70,000	Holding company
Shanghai Kunlun-Taiwan Shopping Mall	October 26, 1994	No. 401, Changshou Road, Putuo District, Shanghai City	RMB 33,560,000	Department store and retail
Mercuries Bakery (Shanghai) Limited Company	April 9, 2008	Room 414, No. 31, Alley 1755, Yunbei Road, Nanxiang Town, Jiading District, Shanghai City	RMB 80,260,000	Food retail
Family Shoemart Co., Ltd.	June 22, 2011	Samoa	USD 6,500,000	Holding company
Mercuries Rich	August 4, 2008	Part of 3F, No. 393, Changshou Road, Putuo District, Shanghai City	USD 65,710,000	Department store and retail
Shanghai Bakery Cafe Limited Company	January 25, 2010	Room 1089, Building 2, No. 700, Jiahao Road, Jiading District, Shanghai City	RMB 20,900,000	Food retail
Mercuries Information Systems International Co., Ltd	April 13, 2010	4F-4, No. 2, Street 150, Section 5, Xinyi Road, Xinyi District, Taipei City	3,000	IT software and processing services
Shanghai Sanshang Canying limited company	May 20, 2010	No. 1838, Sichuan North Road, Hongkou District, Shanghai City	RMB 4,800,000	Food retail
MERCURIES & ASSOCIATES, LTD (Note 1)	January 27, 2015	B1 and Floors 1 to 18, Section 2, Jianguo North Road, Taipei City	1,000,000	Food retail management, distribution of clothing, apparel, shoes, hats, umbrellas, and accessories, and department store retail.

Note 1: Ceded and transferred to the newly established subsidiary MERCURIES & ASSOCIATES, LTD on January 1, 2015.

Note 2: Mercuries-Jeantex merged with Mercuries Fu Bao and was extinguished on January 1, 2016.

### 3. Overall business scope of every affiliated businesses:

Company name	Primary business or products
Mercuries Harvest Co., Ltd.	Leasing, purchasing, and sales of various machinery and equipment.
Napoli Co., Ltd.	Pizza franchise
Mercuries Life Insurance Co., Ltd.	Personal insurance services
Tarng Fwu Enterprise Co., Ltd.	Purchasing and sales of agricultural and animal farming products
Mercury Fu Bao Co., Ltd.	Purchasing, sales, and distribution services for beverages and tobacco
Mercuries Data Systems Ltd	Purchasing, sales, processing, and installation services for computer machinery and equipment
Mercuries General Media, Inc.	Production and distribution services for imported videos
Mercuries Leisure Co., Ltd.	Recreational and entertainment services
HIPACT TECH. INC.	Business management consultation, and computer equipment installation
WAYIA.COM Inc.	Mobile securities trading, and e-business
Asahi & Mercuries Co., Ltd.	Distribution of tobacco, alcohol, beverages, and food
Mercuries Furniture Co., Ltd.	Distribution and retail sales of furniture
SCI Pharmtech Inc.	Processing, manufacturing, and sales of active pharmaceutical ingredients (APIs) and API intermediates
Simple Mart Trading Co., Ltd.	Trade
Sanyou Drugstores, Ltd.	Distribution and retail of cosmetics and drugs
Monteur & Mercuries Co., Ltd.	Production of baked foods
Mercuries Bakery Co., Ltd.	Production of baked foods
Mercuries Life Insurance Agency Co., Ltd.	Insurance agency
Mercuries-Jeantex Co., Ltd. (Note 1)	Distribution agent, purchasing, and sales of tobacco and alcohol
Asahi & Mercuries Co., Ltd.	Distribution of tobacco, alcohol, beverages, and food
Mercuries Food Service Co., Ltd.	Holding company
Asiandawn Ventures Inc.	Holding company
It Union Limited	Purchasing and sales of electronic equipment
Yushan Holding Universal Ltd.	Holding company
Yushan Pharmaceuticals, Inc.	Process development for APIs and intermediates
Mercuries Data Systems International Ltd.	IT software, hardware, and processing services
Core Info Tech Limited	IT software, hardware, and processing services
Mercuries Soft (Nanjing) Ltd.	IT software, hardware, and processing services
Tastynoodle Co., Ltd.	Investment holding company
Mercuries FoodService (Shanghai) Co., Ltd	Food retail
United Developers Of Taiwan PTE LTD	Investment holding company
Shanghai Kunlun-Taiwan Shopping Mall Co., Ltd.	Department store and retail
Mercuries Bakery (Shanghai) Limited Company	Food retail
Family Shoemart Co., Ltd.	Investment holding company
Mercuries Rich	Department store and retail
Shanghai Bakery Cafe Limited Company	Food retail
Mecuries Information Systems International Co., Ltd.	IT software, hardware, and processing services
Shanghai Sanshang Canying limited company	Food retail
Mercuries FoodService Japan, Ltd.	Food retail
MERCURIES & ASSOCIATES, LTD (Note 2)	Food retail management, distribution of clothing, apparel, shoes, hats, umbrellas, and accessories, and department store retail.

Note 1: Mercuries-Jeantex merged with Mercuries Fu Bao and was extinguished on January 1, 2016.

Note 2: Ceded and transferred to the newly established subsidiary MERCURIES & ASSOCIATES, LTD on January 1, 2015.

## 4. Directors, supervisors, and general managers of affiliated businesses

Unit: Thousand shares; % December 31, 2015

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries Life Insurance Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-chieh Chen	706,079	44.47%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen, Chia-jen Meng, Chung-hsing Liu, and Tsui-chun Weng		
	Independent director	Chun-nong Cheng	0	0.00%
	Independent director	Hsia-ju Lin	0	0.00%
	Independent director	Cheng-hsien Tsai	0	0.00%
	General Manager	Chia-jen Meng	3,385	0.21%
Mercuries Data Systems Ltd	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-chung Chen	98,505	53.44%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen, Wen Chu Chen, Cheng-ping Chung, and Te-cheng Tang		
	Director	Yuan-chi Chao	0	0.00%
	Director	Kuang-tse Chiang	0	0.00%
	Supervisor	Li-yun Yang	46	0.02%
	Supervisor	Johnson Wang	0	0.00%
	Supervisor	TK Chin	0	0.00%
	General Manager	Hsiang-chung Chen	532	0.29%
SCI Pharmtech Inc.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Wei-chun Weng	25,236	33.07%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen, Yen-ju Chen, Wen-chih Chou		
	Independent director	Te-cheng Tu	0	0.00%
	Independent director	Hung-chih Wu	0	0.00%
	Independent director	Chia-chun Chen	0	0.00%
	General Manager	Wei-chun Weng	419	0.55%
Mercuries Furniture Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen	18,000	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen, Li-yun Yang		
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Johnson Wang		

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Asahi & Mercuries Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen	10,000	50.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Kuang-hung Chen		
	Director	Artificial person representative(s) of Asahi Group Holdings Ltd.: 前天裕彦 and 佐藤郁夫	10,000	50.00%
	Supervisor	Johnson Wang	0	0.00%
	Supervisor	深山清志	0	0.00%
	General Manager	Kuang-hung Chen	0	0.00%
Napoli Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen	49,950	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsien-chang Wang and Chien-hsiung Lin		
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Johnson Wang		
Mercuries General Media, Inc.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen	4,200	86.96%
	Director	NHK ENTERPRISE, INC.: 近藤保博	630	13.04%
	Director	Chien-hsiung Lin	0	0.00%
	Director	Johnson Wang	0	0.00%
	Director	Hsiang-fen Chen	0	0.00%
	Supervisor	Li-yun Yang	0	0.00%
Mercuries Bakery Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen	3,209	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Chien-hsiung Lin and Ssu-peng Sung		
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Johnson Wang		
HIPACT TECH. INC.	President	Artificial person representative(s) of Mercuries Data Systems Ltd.: Hsiang-chung Chen	146	72.80%
	Director	Artificial person representative(s) of Mercuries Data Systems Ltd.: Chung-wei Tsai, Tsung-kuang Li, and Chih-hsien Li		
	Director	Cheng-ping Chung	7	3.58%
	Supervisor	Wen Chu Chen	0	0.00%
Mercury Fu Bao Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsien-chang Wang	236,260	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen and HL Chen		
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Li-yun Yang		



Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries-Jeantex Co., Ltd. (Note 2)	President	Artificial person representative(s) of Mercury Fu Bao Co., Ltd.: HL Chen	145,068	100.00%
	Director	Artificial person representative(s) of Mercury Fu Bao Co., Ltd.: Johnson Wang, Hsiang-fen Chen		
	Supervisor	Artificial person representative(s) of Mercury Fu Bao Co., Ltd.: Li-yun Yang		
WAYIA.COM Inc.	President	Artificial person representative(s) of Mercuries Data Systems Ltd.: Hsiang-chung Chen	12,250	58.33%
	Director	Artificial person representative(s) of Mercuries Data Systems Ltd.: Wen Chu Chen, Cheng-ping Chung, and Tsung-kuang Li		
	Director	Artificial person representative(s) of APEX International Financial Engineering Res., & Tech. Co., Ltd.: Kuo-an Liu	880	4.19%
	Supervisor	Hsiao-chi Hsu	0	0.00%
Tarng Fwu Enterprise Co., Ltd.	President	Hsien-chang Wang	0	0.00%
	Director	Johnson Wang	0	0.00%
	Director	Wei-hui Liao	0	0.00%
	Director	TK Chin	0	0.00%
	Director	Artificial person representative(s) of Taiwan Tangye Xiehui: Cheng-hsin Wu, Tsung-nien Hu, and Chen-i Sun	330	55.00%
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Li-yun Yang	270	45.00%
	Supervisor	Kuang-ming Huang	0	0.00%
	Supervisor	Kuo-kai Lin	0	0.00%
	General Manager	Kuang-hung Chen	0	0.00%
Mercuries Harvest Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen	9,000	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen and Johnson Wang		
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Li-yun Yang		
Mercuries Leisure Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen	44,895	63.14%%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen and Johnson Wang		
	Supervisor	Li-yun Yang	0	0.00%
Mercuries Life Insurance Agency Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-chung Chen	300	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Kuo-cheng Shen, Kuang-lung Chiu		
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen		
	General Manager	Po-an Chen	0	0.00%
Shang Rih Co., Ltd	Director	Artificial person representative(s) of Asahi & Mercuries Co., Ltd.: Kuang-hung Chen	500	100.00%
Mercuries Food Service Co., Ltd.	Director	Artificial person representative(s) of Mercury Fu Bao Co., Ltd.: HL Chen	--	7.62%
Asiandawn Ventures Inc.	Director	Artificial person representative(s) of Mercury Fu Bao Co., Ltd.: HL Chen	13,848	48.37%
It Union Limited	Director	Artificial person representative(s) of MERCURIES DATA SYSTEMS LTD.: Ken S.C. Chen	--	100.00%

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Yushan Pharmaceuticals, Inc.	President	Artificial person representative(s) of Yushan Holding Universal Ltd.: Wei-chun Weng	37,100	100.00%
	Director	Artificial person representative(s) of Yushan Holding Universal Ltd.: Yen-ju Chen and Wen-chih Chou		
	Supervisor	Artificial person representative(s) of Yushan Holding Universal Ltd.: Wen-chen Yang		
YuShan Holding Universal Ltd.	Director	Artificial person representative(s) of SCI Pharmtech, Inc.: Wei-chun Weng, Yen-ju Chen, and Wen-chih Chou	12,485	100.00%
Mercuries Data Systems International Ltd.	Director	Artificial person representative(s) of MERCURIES DATA SYSTEMS LTD.: Ken S.C. Chen	--	100.00%
Core Info Tech Limited	Director	Artificial person representative(s) of MERCURIES DATA SYSTEMS LTD.: Ken S.C. Chen	--	100.00%
	Director	Artificial person representative(s) of MERCURIES DATA SYSTEMS LTD.: Wen Chu Chen		
Mercuries Soft (Nanjing) Ltd.	President	Artificial person representative(s) of Core Info Tech Limited : Wen Chu Chen	--	100.00%
	Director	Artificial person representative(s) of Core Info Tech Limited company : Chung-wei Tsai, Cheng-ping Chung, Hung-hsiang Hsieh, and Wen-hao Chang		
	Supervisor	Artificial person representative(s) of Core Info Tech Limited company: Hsiao-chi Hsu		
Mercuries FoodService Japan, Ltd.	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Kuang-hung Chen	--	16.67%
	Director	高坂健一		
Mercuries FoodService (Shanghai) Co., Ltd	President	Artificial person representative(s) of MERCURIES FOOD SERVICE: Hsiang-fen Chen	--	47.37%
	Director	Artificial person representative(s) of MERCURIES FOOD SERVICE: Chien-hsiung Lin and Hui-chu Chien		
	Supervisor	TK Chin		
United Developers Of Taiwan PTE LTD	President	Artificial person representative(s) of Asiandawn Ventures Inc.: HL Chen	--	100.00%
	Director	Artificial person representative(s) of Asiandawn Ventures Inc.: Li-yun Yang and Linor Chan		
Shanghai Kunlun-Taiwan Shopping Mall	President	Artificial person representative(s) of United Developers Of Taiwan PTE LTD: Hsien-chang Wang	--	100.00%
	Director	Artificial person representative(s) of United Developers Of Taiwan PTE LTD: Wei-chun Weng, Chien-chung Chang, and Kuang-lung Chiu Chinese representative of Kunlun: Xu Wanshen	--	100.00%
	General Manager	Chien-chung Chang	--	--
Mercuries Bakery (Shanghai) Limited Company	President	Artificial person representative(s) of Mercuries Food Service Co., Ltd.: Chien-hsiung Lin	--	100.00%
	Supervisor	TK Chin	--	0.00%
Mercuries Rich	President	Artificial person representative(s) of Mercuries Food Service Co., Ltd.: Hsien-chang Wang	--	29.29%
	Director	Family Shoemart Co., Ltd.	--	63.48%
	Director	Shanghai Kunlun-Taiwan Shopping Mall	--	7.23%
	Supervisor	TK Chin	--	0.00%

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Shanghai Bakery Cafe Limited Company	Director	Artificial person representative(s) of Mercuries Bakery (Shanghai) Limited Company: Chien-hsiung Lin	--	100.00%
Mecuries Information Systems International Co., Ltd.	President	Artificial person representative(s) of Mercuries Data Systems Ltd. (MDS): Cheng-ping Chung	300	100.00%
	Director	Artificial person representative(s) of Mercuries Data Systems Ltd. (MDS): Hsiang-chung Chen and Te-cheng Tang		
	Supervisor	Artificial person representative(s) of Mercuries Data Systems Ltd. (MDS): Wen Chu Chen		
Shanghai Sanshang Canying limited company	Director	Artificial person representative(s) of Mercuries FoodService (Shanghai) Co., Ltd.: Chien-hsiung Lin	--	100.00%
Sanyou Drugstores, Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Kuang-lung Chiu	17,500	50.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Ting-hui Hsu		
	Director	Artificial person representative(s) of Sumitomo Corporation: ADACHI Ryoji and 佐藤計	14,000	40.00%
	Supervisor	Jui-hsing Chen	--	0.00%
Monteur & Mercuries Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen	6,000	50.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Chien-hsiung Lin		
	Director	Artificial person representative(s) of MONTEUR HOLDINGS CO., LTD.: 鈴木徹哉 and 鈴木智也	6,000	50.00%
	Supervisor	Li-yun Yang	-	0.00%
Simple Mart Trading Co., Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Kuang-lung Chiu	100	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen and Hsiang-fen Chen	100	100.00%
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Li-yun Yang	100	100.00%
Tasty Noodles Co., Ltd. (SAMOA)	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen	--	100.00%
Family Shoemart Co., Ltd. (SAMOA)	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen	--	100.00%
MERCURIES & ASSOCIATES, LTD. (Note 3)	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-fen Chen	100,000	100.00%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen, Li-yun Yang, Kuang-lung Chiu, Kuo-cheng Shen, Shao-chun Tsai, and Kuang-hung Chen		
	Supervisor	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Johnson Wang and Jui-hsing Chen		

Note 1: Information on directors, supervisors, and general managers were based upon the data of April 30, 2016.

Note 2: Mercuries-Jeantex merged with Mercuries Fu Bao and was extinguished on January 1, 2016.

Note 3: Ceded and transferred to the newly established subsidiary MERCURIES & ASSOCIATES, LTD on January 1, 2015.

## 5. Business operating conditions of the affiliated businesses

Unit: Thousand NT\$ December 31, 2015

Company name	Actual paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Gain (loss) during this period (after tax)	Earnings per share (after tax / NT\$)
Mercuries Data Systems Ltd	1,873,145	3,574,586	1,492,952	2,081,634	2,243,896	64,550	32,870	0.18
Mercuries-Jeantex Co., Ltd. (Note 1)	1,450,677	1,922,919	22,442	1,900,477	13,109	7,000	76,234	0.53
Mercury Fu Bao Co., Ltd.	2,362,600	3,200,636	22,408	3,178,228	147,001	(33,411)	118,066	0.50
Mercuries General Media, Inc.	48,300	108,426	14,743	93,683	24,508	1,835	7,505	1.55
Napoli Co., Ltd.	499,500	609,873	165,740	444,133	1,124,632	60,392	63,819	1.28
Mercuries Harvest Co., Ltd.	90,000	119,932	610	119,322	4,914	(1,222)	2,157	0.24
Mercuries Leisure Co., Ltd.	711,000	681,853	100	681,753	0	(1,594)	(1,584)	(0.02)
Mercuries Life Insurance Co., Ltd.	15,877,023	860,490,389	833,414,417	27,075,972	161,661,879	3,544,367	2,808,206	1.88
HIPACT TECH. INC.	2,000	9,897	1,523	8,374	359	87	138	0.69
Mercuries Furniture Co., Ltd.	180,000	307,885	161,840	146,045	497,734	4,917	7,627	0.42
SCI Pharmtech Inc.	762,177	3,457,085	695,016	2,762,069	1,810,501	439,687	373,902	5.17
WAYIA.COM Inc.	210,000	22,693	698	21,995	0	(440)	(290)	(0.01)
MERCURIES DATA SYSTEMS INT'L LTD	345,042	130,140	2,152	127,988	0	0	(45,345)	--
Core Info Tech Limited	347,998	128,959	0	128,959	0	0	(45,345)	--
Tarng Fwu Enterprise Co., Ltd.	60,000	59,154	80	59,074	0	(175)	122	0.20
Mercuries Soft (Nanjing) Ltd.	537,627	128,267	3,503	124,764	19,549	(41,594)	(45,345)	--
It Union Limited	0	109	110	(1)	269	0	0	--
Mercuries FoodService Co.,Ltd	612,750	47,172	2	47,170	0	(1,737)	(1,737)	--
Mercuries FoodService (Shanghai) Co., Ltd	293,020	7,448	1,570	5,879	24,866	(4,394)	(3,659)	--
Mercuries Bakery Co., Ltd.	32,092	32,669	100	32,569	0	(123)	(491)	(0.15)
Asiandawn Ventures Inc.	918,537	404,989	102,989	302,000	0	(3,089)	(14,037)	--
United Developers of Taiwan PTE Ltd.	USD 69	346,141	1,231,000	(884,859)	0	(246)	(11,922)	--
Shanghai Kunlun-Taiwan Shopping Mall Co., Ltd.	1,372,664	686,604	341,318	345,286	550,008	45,778	16,320	--

Note 1: Mercuries-Jeantex merged with Mercuries Fu Bao and was extinguished on January 1, 2016.

Unit: Thousand NT\$ December 31, 2015

Company name	Actual paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Gain (loss) during this period (after tax)	Earnings per share (after tax / NT\$)
Mercuries Bakery (Shanghai) Limited Company	375,267	27,925	(861)	28,786	0	(39,905)	(39,600)	--
YuShan Holding Universal Ltd.	374,750	358,338	0	358,338	0	(160)	(884)	--
Yushan Pharmaceuticals, Inc.	371,000	354,929	100	354,829	0	(895)	(838)	(0.02)
Asahi & Mercuries Co., Ltd.	200,000	299,228	152,485	146,742	898,046	19,770	21,028	--
Mercuries Life Insurance Agency Co., Ltd.	3,000	21,233	2,424	18,809	119,911	14,769	12,258	40.86
Shang Rih Co., Ltd	5,000	5,721	1,771	3,950	14,573	(369)	(395)	--
Mercuries Rich	RMB 65,711	206,050	153,582	52,468	15,921	(628)	(625)	--
Shanghai Bakery Cafe Limited Company	RMB 20,900	1,573	5	1,568	0	(617)	(617)	--
Mecuries Information Systems International Co., Ltd.	3,000	2,084	64	2,020	371	(196)	(195)	(0.65)
Shanghai Sanshang Canying limited company	RMB 4,800	3,726	506	3,220	3,987	(652)	(695)	--
TASTY NOODLE CO., LTD.	147,916	3,097	0	3,097	0	(1,926)	(1,926)	--
FAMILY SHOEMART CO., LTD.	192,057	33,312	0	33,312	0	(397)	(397)	--
Sanyou Drugstores, Ltd.	350,000	308,132	100,575	207,557	408,977	(69,991)	(76,106)	--
Monteur & Mercuries Co., Ltd.	120,000	77,865	6,850	71,015	12,651	(26,898)	(29,377)	(2.45)
Simple Mart Trading Co., Ltd.	1,000	989	3	986	0	(17)	(16)	--
Mercuries Foodservice Japan, Ltd.	58,095	47,005	7,553	39,451	15,290	(29,747)	(29,907)	--
MERCURIES & ASSOCIATES, LTD (Note 2)	1,000,000	5,127,268	3,891,478	1,235,790	14,937,367	286,078	244,883	2.45

Note 2: Ceded and transferred to the newly established subsidiary MERCURIES & ASSOCIATES, LTD on January 1, 2015.

#### 6. Information on endorsements and guarantees, capital loans to other parties, and other derivative products for the affiliated businesses

- (1) Endorsements and guarantees for the affiliated business: This Corporation has provided no endorsement or guarantee to the affiliated businesses.
- (2) Capital loans of the affiliated businesses: refer to page 292 of the Chinese annual report.
- (3) Derivatives trading of the affiliated businesses: refer to page 305 of the Chinese annual report.

## (2) Consolidated financial statements of affiliated businesses

### Statement

We hereby declare that companies to be included within the consolidated financial statement of affiliated enterprises according to the *Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprise* are the same with the companies that shall be included within the consolidated financial statement of parent company and subsidiaries according to International Financial Reporting Standard 10 (IFRS 10). All information to be disclosed in the consolidated financial statement of affiliated enterprises have already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Consolidated financial statements of affiliated businesses were therefore not generated separately.

Company name: MERCURIES & ASSOCIATES, HOLDING LTD



Person in charge: HL Chen



March 31, 2016

2. Private placement securities of the most recent year up to the publication date of this report: None.

3. The Shares in the Company Held or Disposed of by Subsidiaries of the most recent fiscal year up to the publication date of this report:

Unit: Thousand NT\$; thousand shares; % May 15, 2016

Subsidiary name	Actual paid-in capital	Source of capital	Shareholding of this Company	Date of acquisition or disposal	Quantity and value of shares acquired	Quantity and value of shares disposed of	Investment gain (loss)	Shares held and value in 2015 up to the publication date of this report (Note 2)	Status and settings for the pledge	Value of endorsements and guarantees provided to subsidiaries by this Company	Loans provided to subsidiaries by this Company
Mercuries General Media, Inc.	48,300	Disposal funds	86.96%	2015	-	-	-	2,183 \$45,952	None	None	None
				Up to the publication date of this report in 2016	-	-	-	2,183 \$39,512	None	None	None
Mercuries Harvest Co., Ltd.	90,000	Disposal funds	100.00%	2015	-	-	-	4,217 \$88,768	None	None	None
				Up to the publication date of this report in 2016	-	-	-	4,217 \$76,328	None	None	None
Mercury Fu Bao Co., Ltd.	2,362,600	Disposal funds	100.00%	2015	-	-	-	5,243 \$110,365	None	None	None
				Up to the publication date of this report in 2016	-	-	-	32,954 \$596,467	None	None	None
Mercuries-Jeantex Co., Ltd. (Note)	1,450,677	Disposal funds	-	2015	-	-	-	27,711 \$583,317	None	None	None
				Up to the publication date of this report in 2016	-	-	-	-	None	None	None

Note 1: Mercuries-Jeantex merged with Mercuries Fu Bao and was extinguished on January 1, 2016.

Note 2: The closing price on May 13, 2016, was used as the share prices at the publication date of this report.

#### 4. Other items that must be included

1. Name, title, and total bonuses received of the top 10 individuals for employee bonuses received:

Employee bonuses were distributed equally in the Corporation. Information on the top 10 individuals would not be available.

2. Name and title of the top 10 individuals for employee stock options received:

The Corporation did not issue employee stock options in 2015.

3. Basis for the evaluating balance sheet categorization methods:

(1) Aged analysis of accounts receivable shall first verify the existence of objective evidence proving the aging of major accounts receivable. Where objective evidence proving the aging of major accounts receivable does exist, these accounts shall be evaluated separately to determine the amount of aging. Where objective evidence shows that aging occurred in non-major accounts receivables, and where there are no objective evidence proving the aging of accounts receivable, those accounts with similar credit risk characteristics shall be placed within the same category and separately analyzed to determine the aging of this group of assets.

(2) When carrying out lower of cost or market analysis of the inventory, cost and net realizable value shall be evaluated separately for each item by principle.

Where the inventory is subject to defects, damages, or obsolescence that significantly reduces its value, the net realizable value shall be used as the basis for evaluation.

(3) Where financial assets and financial liabilities are procured through routine trading, or where financial assets are sold, the transaction date or settlement date shall be used for accounting treatment. Evaluation of various financial assets and liabilities shall be based upon IFRS regulations.

(4) For details on major accounting policies, refer to pages 97 to 122 the Chinese annual report.

#### 4. Key performance indicator (consolidated report):

	2015	2014
Operation and profitability		
Net profit rate (%)	1.62	0.01
Earnings per share (NT\$)	2.30	1.96
Return on shareholders' equity (%)	11.09	10.25
Return on assets (%)	0.38	0.29
Debt-paying ability		
Current ratio (%)	1,436.54	849.62
Quick ratio (%)	1,401.68	828.68



IX. Any event which has a material impact on the shareholders' equity or securities prices as prescribed by Article 36, Paragraph 2, Subparagraph 2 of the *Securities and Exchange Act* that have occurred in the most recent year up to the publication date of this report

No event causing a material impact on shareholders' equity or securities prices has occurred in the Corporation during 2015 and up till the publication date of this report.

# MERCURIES & ASSOCIATES, HOLDING LTD

(originally MERCURIES & ASSOCIATES, LTD)



Person in charge: HL Chen

