

Stock Number: 2905

Annual Report 2016

Mercuries & Associates Holding, Ltd.

(Formerly 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 12, 2017

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

Name of any overseas securities trading agency and search name in the said overseas securities trading agency: 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	10
1. Organization	10
2. Board of directors, supervisors, general manager, vice presidents, and directors of various departments and subsidiary agencies	12
3. Remuneration paid out to directors, supervisors, the general manager, and vice presidents	20
4. Implementation of corporate governance	25
5. Information on the CPA's professional charge	50
6. Replacement of accountants	51
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	51
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	52
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	53
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	54
IV. Financing	55
1. Capital and shares	55
2. Corporate bond	62

3.	Preferred shares	62
4.	Overseas depositary receipt	62
5.	Employee stock options	62
6.	Restricted employee shares	63
7.	Issuance of new shares in connection with the merger or acquisition of other companies	64
8.	Implementation of capital application plan	64
V.	Operations Summary	65
1.	Business content	65
2.	Market, production, and sales	78
3.	Information of employees for the 2 most recent years	93
4.	Environmental protection expenditures	94
5.	Labor relations	96
6.	Material contracts	97
VI.	Financial Summary	98
1.	Five-year financial summary	98
2.	Five-year financial analysis	106
3.	Supervisors' report for the most recent year	111
4.	Consolidated financial statements for the years ended December 31, 2016 and 2015, and independent auditors' report	113
5.	Individual financial statements for the years ended December 31, 2016 and 2015, and independent auditors report	113
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	113
VII.	Review, Analysis, and Risks of Financial Position and Performance	114
1.	Financial position	114
2.	Financial performance	114
3.	Analysis of cash flow	115
4.	Major capital expenditure items	116
5.	Investment policy in last year, main causes for profits or losses, improvement plans and the investment plans for the coming year	116
6.	Risk analysis and assessment	117

7. Other important issues	127
VIII. Special Disclosure	128
1. Affiliated businesses	128
2. Private placement securities of the most recent year up to the publication date of this report	142
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	142
4. Other items that must be included	143
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	144

I. Letter to Shareholders

Mercuries & Associates, Holding Ltd. (hereinafter referred to as "the Company") has predominantly reinvested in daily commodities, food and beverage, life insurance, and pharmaceutical and others. This is the second year after the Company has turned to investments, and for the current period, the Company has proactively formed strategies and integrated our various reinvestment businesses, and enhanced our revenue and profitability. In the future, the Company will continue to work toward a diversified and multi-market operational model and anticipates to achieve a professional divisional of tasks and scale of economies so as to continue to enhance our operational performance.

1. Business Report in 2016

(1) Implementations of the Business Plan

Since the Company has been revamped as an investment holdings company in 2015, each and every investment strategy has been prudently assessed and carried out accordingly. Founded on the Group's present logistics structure, we have continued to jointly-invest or to form strategic alliances with both domestic and overseas partners. Below is a summary of the Company's profitable results in our reinvestment businesses and their implementations in 2016:

1. Daily Commodities and Food and Beverage Sector

Due to influences from governmental policies, HR costs have increased for our domestic businesses. In addition, market saturation and overlapping of business models have created bottlenecks in retail channels. To enhance the profitability in our storefronts, we need to understand the movements from existing competitors and evaluate threats from new competitors at all times, and to adjust product structures in accordance with trends in consumer preferences and develop new to increase revenues and profitability. Revenue and profitability have both shown growth, and we also own more stores in this current period compared with 2015 (the previous year).

2. Life Insurance

Faced with weak overall economic growth and increased fluctuations in the global financial market, Mercuries Life Insurance continues to operate on a prudent policy to seek for increased profitability. In 2016, our total assets have grown to NT\$949 billion, and revenue and profits have also shown growth over the previous period.

3. Pharmaceutical

Revenue and profit from SCI Pharmtech, Inc. have both achieved historical heights since its inception. Besides conversion of convertible bonds had caused increases in shareholder's equity, thus diluting the return on shareholder's equity, profitability indicators in 2016 had all shown better performance over the previous period.

4. Others

Mercuries Data Systems Ltd. (MDS) had strengthened its risk control, project selection and carried out projects rigorously to lower the number of litigation and disputes. MDS

has also continued to enhance its software development capabilities, and average revenue and profitability had both shown growth over the previous year. Due to market downturn in the real estate sector, interior decoration business had slightly lower revenue and profits compared with 2015.

(2) Budget Implementations, Financial Revenue and Costs and Analysis on Profitability

Consolidated operating revenue in 2016 was NT\$205.369 billion, showing an approximately 6.43% growth over the NT\$192.968 billion in 2015. Budget completion rate was approximately 98%. In terms of profitability, net income attributable to the Parent Company was NT\$2.049 billion, and after-tax EPS was NT\$3.04. Return on asset was 10.09%, and return on equity was 15.94%.

(3) Research and Development

1. Daily Commodities and Food and Beverage Sector

Due to the intense competition in retail of daily commodities and in the food and beverage industry, the Company will continuously adjust product structures and marketing strategies in accordance with market demand and movements to correspond with the highly volatile operational environment and consumer demand. We will also establish differential marketing activities for each store to enhance their competitiveness and to expand market segmentation, strengthen the regional competitive advantage, as well as optimize our overall brand image.

2. Life Insurance

To correspond to the ageing society, the life insurance sector will focus on insurance products such as strengthened long-term care, major disease insurance and disability insurance. In addition, we will continue to promote digitized services and expand business service to continue to cultivate regional life insurance market. Mercuries Life Insurance was the only life insurance company to be nominated as "Taiwan Corporate Governance Top 100 Index" for two consecutive years. We have also received the "Taiwan Top 50 Corporate Governance Report - Gold Medal in Financial and Insurance Sector" and the International "ISO14001 Environmental Management System" accreditation.

3. Pharmaceutical

R&D expenses in 2016 remained approximately on similar levels to the previous year, and we anticipate to build a new R&D Building in 2017 to accommodate more personnel and equipment. We have designated more R&D personnel in the development of new drugs in recent years. The success of these products solely rely on whether clients can receive permits for the new drugs and to successfully develop the market for them. Hence, it is difficult to see material benefits in the short-term. Nevertheless, due to low-cost competition from Chinese and Indian manufacturers, the market for generic drugs has already become saturated, and the direction of these types of drugs will be based on current trends. We also hope that through dedicating more R&D resources, we will be able to proactively develop new products and become

market pioneers.

4. Others

MDS continues to transfer our R&D results into material patent protection to comprehensively protect the Company's intangible assets. This will help us to proactively achieve our objectives to enhance competitive advantage and raise the entry barrier for our Company.

2. Summary of Annual Business Plan for 2017

(1) Operating Strategies

The Company will lower operating costs and strengthen competitive advantage through focused management and through integrating domestic and overseas resources. We will utilize the operating experiences in various businesses and expand our reach to domestic and overseas business partners. Furthermore, the Company will also prudently evaluate investment strategies, and we hope to integrate our business strategies and scale our business to enhance Company values.

(2) Important Production and Marketing Policies

1. Daily Commodities and Food and Beverage Sector

For the next period, the Company will continue to strengthen our products and services and undertake market segmentation, enhance brand recognition and product sales. We will make our customer service members more professional and affable to create a positive environment for consumers. We will continue to update the information system, streamline production procedures, strengthen sales data analytics to lower operating costs and to weed out the weak links, as well as to strengthen channel development. We will also strongly encourage effectiveness evaluation prior to opening new storefronts. To expand and conserve resources in this age with inflated commodity prices, we need to maximize the effectiveness in both personnel and various expenses.

2. Life Insurance

Key strategies include searching for sound operations, strengthen financial structure, lower operating and financial risks and enhance operating performance. In terms of sales, we will continue to focus on the channels of our salespeople and continue to strengthen their competitiveness. We will emphasize productivity and quality of sales in sales force. And in terms of products, we will optimize product mix and increase sales of investment-type products to create value in new contracts. In terms of investment, we will enhance overall revenue from investment and increase recurring gains and enhance the effectiveness in capital utilization. Furthermore, in terms of operations, we will focus on effectively controlling costs and enhancing the effectiveness of operating costs. The Company hopes to grow and nurture a foundation of sustainable development through a sound operating system, and will focus on the goals of creating long-term value for the life insurance company.

3. Pharmaceutical

SCI Pharmtech's production and marketing policies are mostly focused on product characteristics and client types:

- (1) Active Pharmaceutical Ingredients (API): focus on original developer of the drug supply. We will avoid popular products and select drugs with higher safety and stable sales, in addition to having new usage, new formulation or can be further developed into new drugs, or present API that can serve as starting active ingredients for new drugs.
- (2) Intermediates: our primary goal is to target the original developer of the drug supply, and our second goal is to enter the market for intermediates with high barrier, legal regulation and stringent quality control, intermediates relevant to the Company's core technologies, intermediates with strategic partners available, and intermediates that are used in the early R&D stage of new drugs. Intermediates with above-mentioned characteristics can help us to effectively differentiate ourselves from competitors and prevent price wars.
- (3) Specialty Chemicals: to correspond to client needs, SCI Pharmtech produces and sales digitized specialty chemicals with high standards of the pharmaceutical industry. We develop pharmaceutical production processes, customized services and can mass produce for our clients.

4. Others

MDS prudently selects and assumes large-scale public engineering projects to create high margin and business opportunities in subsequent revenue from maintenance work. We will continue to develop new businesses, create differential value, enhance software development skills and strive toward product R&D to enhance market competitiveness. We will also focus on discussing on ways to extend durability of current patents and focus on R&D to receive new patents.

3. External Competitive Environment and Overall Operating Environment

Looking back on 2016, the recovery from economic downturn is weak due to factors including low global crude oil prices, slowing down of global trade, and increased risks in regional politics. Though the global economy had began to stabilize in the second half of the year, key international economic forecast indicators including IMF and IHS GI had estimated that the annual economic growth rate was approximately between 2.5% and 3.1%, showing a historical low point since the 2008 global financial crisis. In terms of domestic economic conditions, though Taiwan was influenced from the lack of global economic growth momentum, factors including rising global raw material prices have led export to show positive growth in the second half of the year. Taiwan's economic performance in 2016 had grown quarter by quarter after the slowdown in the second half of 2015. According to statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on February 15, 2017, the domestic growth rate in 2016 had been 1.50%, higher than that of the previous year.

In 2017, the major countries will gradually ease off from deflation pressure, and the National Development Council had reported on February 13, 2017 that, economic institutions from major countries had all anticipated continued recovery in the global economy. However,

factors including the future developments of the economic and trading policies in the US, high debt issues in emerging countries, regional conflicts, and the anti-establishment trend in Europe, in addition to economic developments in China will remain potential economic risks and will require constant attention. Statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on February 15, 2017 indicate that Taiwan's economic growth rate in 2017 is anticipated to rise to 1.92%. Nevertheless, while uncertainty remains in the global economy, investment risks will also increase accordingly. The external competitive environment is tough; however, the Company's management level and all employees remain vigilant and will continue diversified operational strategies to lower operating risks. We will also integrate resources and strive to innovate to enhance our service quality and operating effectiveness.

4. Development Strategy

The Company's existing major businesses have been in operations for over 30 years, and to seek for steady business growth in a saturated market and competitive industries, we have proactively attempted to innovate in recent years. The Company is striving to become a comprehensive business with diversified operations. Besides lowering operating risk and fully considering changes in both external and internal environments, we are also equipped with professional management team. In addition to providing services ranging from food, clothing, living and entertainment to the public, this will also help the Company to enhance brand value from creating a positive environment for the public consumers.

In the future, the Company will continue to integrate internal resources and adjust our organization, maintain our core values in prudently evaluating investment strategies, as well as seek for new opportunities in partnering with different industries and finding new investment opportunities. We will develop businesses through vertical integration and diversified operations in addition to assisting each subsidiary to undertake resource integration to exert operational synergies. We hope to expand the scope of our business, and maximize shareholders' profits through focused management and by integrating the Group's domestic and overseas resources. We will also continue to fulfill our corporate social responsibility and sincerely hope that our shareholders can continue to love and support us.

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 of the Catering BU was renamed Qiqi 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\$ 410 million.
Qiqi 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 Brewery Company 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 Institute 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 Short form 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\$ 6,064.74 million.
- 2012 Joint venture with the Japanese company of Sumitomo Corporation to establish Sanyou Drugstores, Ltd.
Recapitalization of capital reserve of NT\$ 242.59 million. Capital sum increased to NT\$ 6,307.33 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\$ 6,813.83 million.
- 2014 Mercuries FoodService Japan, Ltd. established in Japan.
New restricted employee stocks worth NT\$ 140,000 canceled. Paid-in capital reduced to NT\$ 6,813.69 million.
- 2015 Transformed to an investment holding company.
The original company name of Mercuries & Associates, Ltd was changed to

Mercuries & Associates, Ltd. A separate wholly-owned subsidiary named Mercuries & Associates, Ltd. was established.

New restricted employee stocks worth NT\$ 280,000 canceled. Paid-in capital reduced to NT\$ 6,813.41 million.

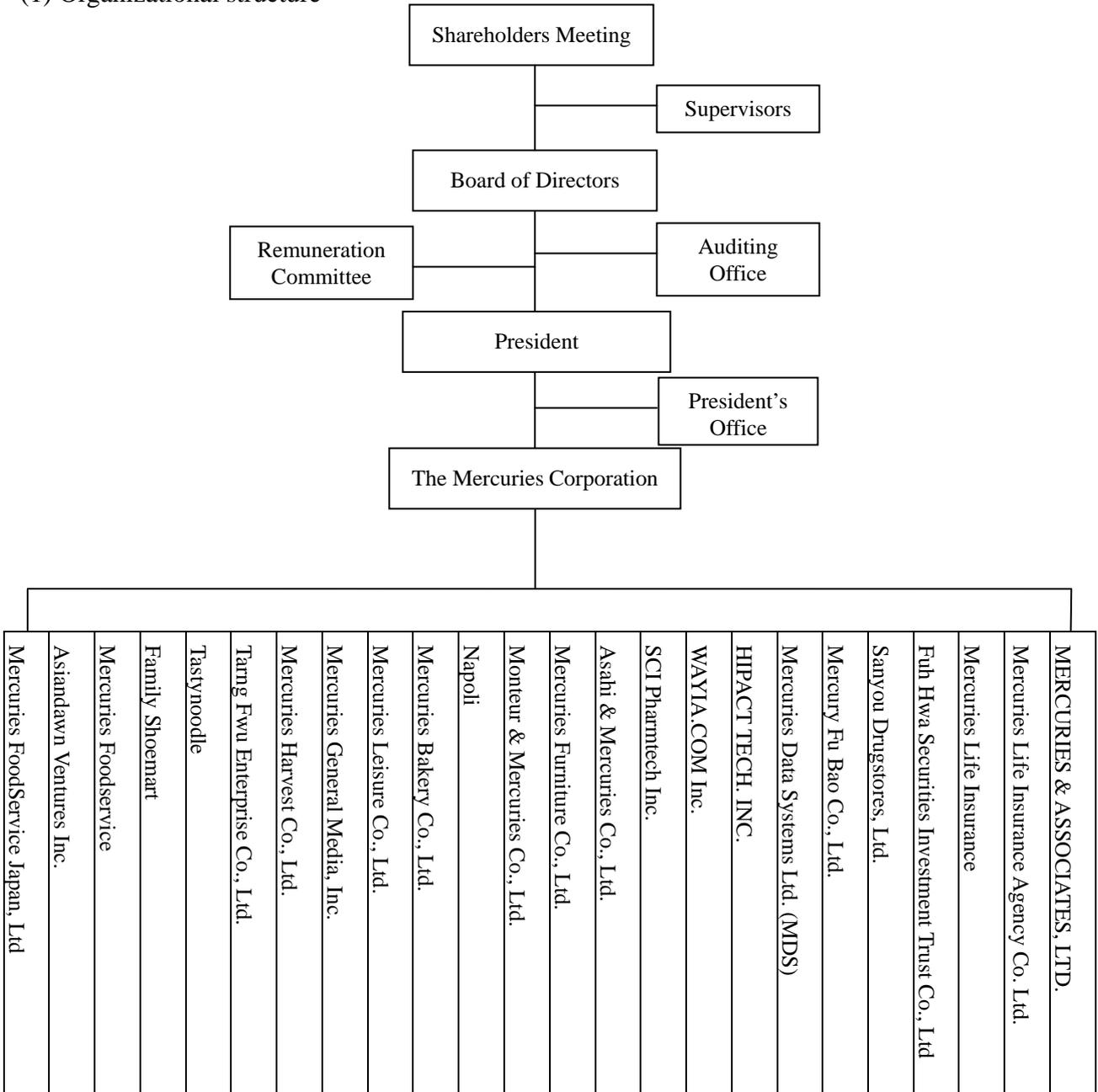
2016 Recapitalization of retained earnings of NT\$ 340.67 million. New restricted employee stocks worth NT\$ 100,000 canceled. Capital sum increased to NT\$ 7,153.398 million.

2017 New restricted employee stocks worth NT\$ 40,000 cancelled. Capital sum reduced to NT\$ 7,153.94 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, public affairs management and planning, and implementation of strategies from the general manager's office.
Auditing Office	Plan and implement assessments of the Corporation'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.

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

(1) Directors and Supervisors

April 24, 2017

Title	Nationality or place of registration	Name	Gender	Date of appointment	Length of term	Date of first appointment	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 of Shanglin Touzi Co. Ltd.: HL Chen	Male	June 24, 2015	3 years	May 8, 1997	140,214,249 * 18,795,389	20.58% * 2.76%	147,224,961 * 19,735,158	20.58% * 2.76%	0	0	0	0	Master of Business Administration, Georgetown University General Manager, Mercuries & Associates Holding, Ltd.	President of Asahi & Mercuries, Mercuries General Media, Mercuries Leisure, Shanghong Investment, Tastynoodle, Family Shoemart, Mercuries Foodservice, Asiandawn, UDT, and <i>Caituan Faren Taoyuan Xian Sili Sanshang Shehui Fuli Cishan Shiye Jijinhui</i> of Taoyuan County (Mercuries Social Welfare and Charity Foundation, Taoyuan County); director for MERCURIES & ASSOCIATES, Mercuries Data Systems, SCI Pharmtech, Mercury Fu Bao, Mercuries Life Insurance, Mercuries Furniture, Simple Mart Trading (Note), Shanglin Touzi, Taiwan Masters Golf Tournament Foundation, and Foundation of Chinese Dietary Culture; President of the Taiwan Criminal Investigation and Prevention Association (CIPA), President of the China Happy Baseball Association (CHBA), and management director of the Chinese Taipei Amateur Softball Association.	Director	Hsiang-chung Chen	Male sibling
Director	Republic of China	Representative of Shanglin Touzi Co. Ltd.: Ming-yu Mao	Male	June 24, 2015	3 years	May 8, 1997	140,214,249 *4,233,919	20.58% * 0.62%	147,224,961 *4,445,614	20.58% * 0.62%	67,375	0.01%	0	0	Department of Foreign Languages, Tamkang University General Manager, Catering BU, MERCURIES & ASSOCIATES, LTD. General Manager, Lifestyle BU, MERCURIES & ASSOCIATES, LTD.	Independent director of Rodex Fasteners Corp.	-	-	-
Director	Republic of China	Representative of Shanglin Touzi Co. Ltd.: Hsien-chang Wang	Male	June 24, 2015	3 years	May 8, 1997	140,214,249 * 435,406	20.58% * 0.06%	147,224,961 *457,176	20.58% * 0.06%	73,617	0.01%	0	0	Department of Business Administration, Feng Chia University General Manager, Mercury Fu Bao Co., Ltd.	President of Mercury Fu Bao, Kunlun Taiwan Mall (Shanghai), and Fu Trade (Shanghai Business); Director of Napoli and Mercuries Social Welfare and Charity Foundation, Taoyuan County; and supervisor of CIPA.	-	-	-

Title	Nationality or place of registration	Name	Gender	Date of appointment	Length of term	Date of first appointment	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 of Shanglin Touzi Co. Ltd.: Li-yun Yang	Female	June 24, 2015	3 years	June 19, 2009	140,214,249 *403,953	20.58% * 0.06%	147,224,961 *424,150	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, Mercuries Furniture, Mercuries Bakery, Zhengchen, UDT, Mercuries Social Welfare and Charity Foundation, Taoyuan County, and Taiwan Masters Golf Tournament Foundation; supervisor of Mercuries Harvest, Mercury Fu Bao, Mercuries General Media, Mercuries Data Systems, Mercuries Leisure, Simple Mart Trading (Note), Monteur & Mercuries, CMG International One, and CMG International Two; and convener of CIPA.	-	-	-
Director	Republic of China	Representative of Shanglin Touzi Co. Ltd.: Hsiang-chung Chen	Male	June 24, 2015	3 years	January 15, 2014	140,214,249 *12,116,942	20.58% *1.78%	147,224,961 *12,722,789	20.58% *1.78%	788,870	0.11%	0	0	School of Industrial Engineering, Purdue University Departmental chief, Walsin Lihwa Corporation	President of Mercuries Data Systems, WAYIA. COM INC., Mercuries Life Insurance Agency, HIPACT TECH. INC., Mercuries Soft (Nanjing) Ltd.; director of MDS, Shanglin Touzi, Shanghong Touzi, Digicentre Company Limited, EasyCard Corporation; independent director of Walsin and Key Ware Electronics; supervisor of Powertec Energy Corporation; deputy President of the CIPA; and member of the salary and remuneration committee of Walsin and Gamania Digital Entertainment	President	HL Chen	Male sibling
Director	Republic of China	Wei-chun Weng	Male	June 24, 2015	3 years	June 5, 2012	* 5,015,337	* 0.74%	* 5,266,103	* 0.74%	98,163	0.01%	0	0	PhD, Department of Chemistry, University of Pennsylvania General Manager, SCI Pharmtech Inc.	President of SCI Pharmtech, Yushan Pharmaceuticals, and Yushan Holding Universal Ltd.; director of Director of Shanghai Kunlun Taiwan Shopping Mall Company, Shuren Touzi, Shufeng Touzi, Rich Train Construction, Foundation for Taiwan Masters Golf Tournament, Yushan Holding Universal Ltd., CMG International One Co., Ltd., and CMG International Two Co., Ltd.; and director of CIPA.	-	-	-
Director	Republic of China	Cheng-i Fang	Male	June 24, 2015	3 years	October 3, 1983	* 5,305,788	* 0.78%	* 5,571,077	* 0.78%	5,918,112	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	Gender	Date of appointment	Length of term	Date of first appointment	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	Male	June 24, 2015	3 years	June 24, 2015	* 32,000	* 0.00%	* 17,850	* 0.00%	0	0	0	0	Masters, Graduate Institute of China Studies, Tamkang University 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 Lecturer (part time) at the National Taipei University of Technology, National Taichung Institute Technology, and Chihlee Institute of Technology Assistant Professor (part time) at the National Taichung University of Science and Technology Member and meeting chair of the Remuneration Committee at the Taiwan Cooperative Financial Holding Co., Ltd. Member of the Board of Examiners for the 2006 and 2008 Professional and Technical Examinations.	Committee member and meeting President of the salary and remuneration committee of Mercuries & Associates Holding, Ltd., management director of the Customs Association, and Associate Professor of Chihlee Institute of Technology.	-	-	-

Title	Nationality or place of registration	Name	Gender	Date of appointment	Length of term	Date of first appointment	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	Chang-i Chen	Male	June 24, 2015	3 years	June 24, 2015	0	0	0	0	0	0	0	0	Master of Business Administration, University of British Columbia Vice President, Bankers Trust Co., Taipei Branch	Member of the Mercuries & Associates Holding, Ltd. Remuneration Committee; director at Advanced Semiconductor Engineering, Inc., ASE Test, Inc., ASE Kunshan, ASE Test Limited (Singapore), ASE Test Holdings Ltd., Omniquest Industrial Ltd., ISE Labs, Inc., ASE Investment (Labuan) Inc., ASE Shanghai, ASE Electronics Inc., ASE Hong Kong, Suzhou ASEN Semiconductors Co., Ltd., ASE Trade (Shanghai), Super Zone Holdings Ltd., and HHI; and supervisor of ASE (Shanghai) Inc. Director of Shanghai Dinghui Real Estate Development, Shanghai Dingwei Real Estate Development, Shanghai Dingyu Real Estate Development, Shanghai Dingqi Wuye, Kunshan Dinghong Real Estate Development, and Kunshan Dingyue Real Estate Development. Supervisor of Universal Scientific Industrial Co., Ltd. and Huandian Co., Ltd.	-	-	-
Supervisors	Republic of China	I-teng Cheng	Male	June 24, 2015	3 years	June 5, 2012	0	0	0	0	1,832	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 Co., Ltd. (Ningbo)	-	-	-

Title	Nationality or place of registration	Name	Gender	Date of appointment	Length of term	Date of first appointment	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	Representative of Shuren Touzi: Chien-chih Liu	Male	June 24, 2015	3 years	June 5, 2012	96,690,495 *0	14.19% * 0	101,525,019 *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 of H2 Inc. and 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., Kbletecom Co., Ltd., Global Digital Media Co., Ltd., Dongbo Ziben Chuangye Touzi, Xinsi Touzi, Sigao Touzi, and Dongbo Caiwu Guwen	-	-	-

Note: SIMPLE MART TRADING CO., LTD. was renamed as SIMPLE MART RETAIL CO., LTD. on May 4, 2017

(2) Major shareholders of the artificial person

April 24, 2017

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

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

April 24, 2017

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

(3) Directors and supervisors

April 24, 2017

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			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Hsien-chang Wang			✓			✓	✓		✓	✓	✓	✓		0
Wei-chun Weng			✓			✓	✓		✓	✓	✓	✓	✓	0
Cheng-i Fang			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Li-yun Yang			✓			✓	✓		✓	✓	✓	✓		0
Hsiang-chung Chen			✓						✓			✓		2
Mao Li	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
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 24, 2017

Title	Nationality	Name	Gender	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	Male	December 14, 2004	19,735,158	2.76%	0	0	0	0	Master of Business Administration, Georgetown University General Manager of MERCURIES & ASSOCIATES, LTD.	President of Asahi & Mercuries, Mercuries General Media, Mercuries Leisure, Shanghong Investment, Tastynoodle, Family Shoemart, Mercuries Foodservice, Asiandawn, UDT, and Mercuries Social Welfare and Charity Foundation, Taoyuan County; Director of MERCURIES & ASSOCIATES, Mercuries Data Systems, SCI Pharmtech, Mercury Fu Bao, Mercuries Life Insurance, Mercuries Furniture, Simple Mart Trading (Note), Shanglin Touzi, Taiwan Masters Golf Tournament Foundation, and Foundation of Chinese Dietary Culture; management director of CIPA, President of CHBA, and management director of the Chinese Taipei Amateur Softball Association	None	None	None
Deputy General Manager and financial executive	Republic of China	Johnson Wang	Male	February 1, 2004 July 17, 2009	144,849	0.02%	0	0	0	0	Department of Economics, Fu Jen Catholic University Manager, Corporate Services Department, MERCURIES & ASSOCIATES, LTD.	President of Zhengchen; Mercuries Harvest, Mercuries Leisure, Mercuries General Media, Mercuries Life Insurance, and Mercuries Social Welfare and Charity Foundation, Taoyuan County; supervisor of MERCURIES & ASSOCIATES, Napoli, Mercuries Furniture, Mercuries Bakery, Mercuries Data Systems, and Asahi & Mercuries; and representative of Zfranchises Taiwan, PTE. LTD	None	None	None
Deputy General Manager and Accounting Manager	Republic of China	TK Chin	Male	November 14, 2014 July 30, 2009	51,857	0.01%	0	0	0	0	Department of Accounting, National Taiwan University Manager, BDO Taiwan Manager, Underwriting Department, KGI Securities	Director of Mercuries Social Welfare and Charity Foundation, Taoyuan County; and supervisor of Mercuries FoodService (Shanghai), Mercuries FoodService Management (Shanghai), Mercuries Bakery (Shanghai), and Fu Trade (Shanghai Business).	None	None	None

Note: SIMPLE MART TRADING CO., LTD. was renamed as SIMPLE MART RETAIL CO., LTD. on May 4, 2017.

Table of remuneration ranges

Remuneration range for each director in this Corporation	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)	
	This Corporation	All companies listed in this Financial Report I	This Corporation	All companies listed in this Financial Report J
Less than NT\$ 2,000,000	Cheng-i Fang, Wei-chun Weng, Mao Li, and Chang-i Chen Representatives at Shanglin Touzi: Hsiang-chung Chen, Ming-yu Mao, Hsien-chang Wang, and Li-yun Yang	Cheng-i Fang, Wei-chun Weng, Mao Li, and Chang-i Chen Representatives at Shanglin Touzi: Hsiang-chung Chen, Ming-yu Mao, Hsien-chang Wang, and Li-yun Yang	Cheng-i Fang, Wei-chun Weng, Mao Li, and Chang-i Chen Representatives at Shanglin Touzi: Hsiang-chung Chen, Ming-yu Mao, Hsien-chang Wang, and Li-yun Yang	Cheng-i Fang, Mao Li, and Chang-i Chen Representative of Shanglin Touzi: Ming-yu Mao
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	Representative of Shanglin Touzi: HL Chen	Representative of Shanglin Touzi: HL Chen	0	0
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	0	0	0	Representative of Shanglin Touzi: HL Chen, Hsien-chang Wang, and Li-yun Yang
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	0	0	Representative of Shanglin Touzi: HL Chen	Representative of Shanglin Touzi: HL Chen, Hsiang-chung Chen and Wei-chun Weng
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. Supervisor's remuneration (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 this company has invested in
		Remuneration (A) (Note 1)		Compensation (B) (Note 3)		Business execution fees (C) (Note 2)		This Corporation	All companies listed in this Financial Report	
		This Corporation	All companies listed in this Financial Report	This Corporation	All companies listed in this Financial Report	This Corporation	All companies listed in this Financial Report			
Supervisor	Shuren Touzi Chien-chih Liu	0	0	2,000	2,000	140	140	0.10%	0.10%	None
Supervisor	I-teng Cheng									

Note 1: Supervisors of this Corporation are not provided with a salary, and will only be provided with remuneration as prescribed by the Articles of Incorporation of this Corporation.

Note 2: Business execution fees refer to commuting expenses.

Note 3: The board meeting of March 30, 2017, approved the issuance of directors' and supervisors' remuneration of NT\$ 12,500,000.

Table of remuneration ranges

Remuneration range for each supervisor in this Corporation	Name of the supervisor	
	Sum of the first 3 items (A+B+C)	
	This Corporation	All companies listed in this 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 this company has invested in	
		This Corporation	All companies listed in this Financial Report	This Corporation	All companies listed in this Financial Report	This Corporation	All companies listed in this Financial Report	This Corporation		All companies listed in this Financial Report		This Corporation	All companies listed in this Financial Report	This Corporation	All companies listed in this Financial Report	This Corporation	All companies listed in this Financial Report		
								Cash Sum	Shares Sum	Cash Sum	Shares Sum								
General Manager	HL Chen																		
Vice President	Johnson Wang	6,033	6,033	491	491	8,000	8,000	0	0	0	0	0.71%	0.71%	0	0	0	0	0	None
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: The board meeting of March 30, 2017, approved the issuance of employees' compensation of NT\$ 20,900,000.

Table of remuneration ranges

Remuneration range for each General Managers and Vice Presidents in this Corporation	Name of the General Managers and Vice Presidents	
	This Corporation	All companies listed in this 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 24, 2017

	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: The board meeting of March 30, 2017, approved the issuance of employees' compensation of NT\$ 20,900,000.

Compare and analyze the total remuneration paid to each of this Company's Directors, Supervisors, General Managers, and Deputy General Managers in the 2 most recent fiscal years by all companies listed in this 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 (%)

	This Corporation		All companies in the consolidated report	
	2016	2015	2016	2015
Director	0.95%	1.26%	2.64%	3.02%
Supervisor	0.10%	0.15%	0.10%	0.15%
General Managers and Vice Presidents	0.71%	0.91%	0.71%	0.91%

B. Directors' and supervisors' remuneration policy in this Corporation is prescribed within the Corporation 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 this Corporation by considering the title, contribution, and performance of the remuneration recipient as well as the future risk exposure of the Corporation. 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 the most recent fiscal year (2016). 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	6	1	86%	-
Director	Shanglin Touzi Ming-Yu Mao	7	0	100%	-
Director	Shanglin Touzi Hsien-chang Wang	6	0	86%	-
Director	Shanglin Touzi Li-yun Yang	7	0	100%	-
Director	Shanglin Touzi Hsiang-chung	4	0	57%	-
Director	Wei-chun Weng	7	0	100%	-
Director	Cheng-i Fang	6	0	86%	-
Independent director	Mao Li	7	0	100%	-
Independent director	Chang-i Chen	3	1	43%	-
Supervisors	Shuren Touzi Chien-chih Liu	6	0	86%	-
Supervisors	I-teng Cheng	6	0	86%	-

Other items that shall be recorded:

1. 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 this Corporations' handling of the opinions of the independent directors:
 - (1) Any matter listed in Article 14-3 of the *Securities and Exchange Act*: Independent directors did not provide any opinions during the 7 board meetings held in 2016.
 - (2) In addition to the aforementioned matters, any other resolutions from the board meetings where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ: None.
2. 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 proposal raised in board meetings of this fiscal year requires recusal due to conflict of interest.
3. 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:
 - (1) This Corporation employed lawyers to improve awareness for relevant laws and corporate governance to the Board of Directors and provide relevant information for director training.
 - (2) All directors have met the legally specified training hours for 2016 and underwent a total of 81 hours of training.
 - (3) CPAs have been invited to attend board meetings to communicate and exchange matters on corporate governance with the directors. In 2016, CPAs attended a total of 3 board meetings and 1 shareholders' meeting.
 - (4) State of communication between independent directors, internal audit supervisor, and CPA (shall include material matters, methods, and results of communications related to corporate finances and state of business operations):
 1. Internal audit supervisor: In 2016, the supervisor attended 7 board meetings and underwent face-to-face communication with the independent directors. Independent directors did not raise any recommendations related to internal controls in 2016.
 2. CPA: CPAs have been provided with contact information of the independent directors for communications where required. Independent directors met face-to-face with CPAs on May 13, 2016, August 12, 2016, and November 14, 2016 to discuss corporate governance and key audit matters, state of business operations, and independent of the CPA for the fiscal year. Independent directors have no opinions regarding the aforementioned matters.

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

1. This Corporation has yet to establish an audit committee, and is expected to establish the said committee upon the expiration of the period of service of the incumbent directors and supervisors (at the re-elections to be held in the 2018 shareholders' meeting).

2. Supervisors' participation in the Directors' Meeting:

A total of 7 board meetings were held in the most recent fiscal year (2016). The following lists the attendance of supervisors:

Title	Name	Number of actual attendance	Rate of actual attendance	Note
Supervisors	Shuren Touzi Chien-chih Liu	6	86%	-
Supervisors	I-teng Cheng	6	86%	-

Other items that shall be recorded:

1. Composition and responsibilities of the supervisors:

(1) Communication with this Corporation'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. Where a supervisor attending a board meeting expresses an opinion, the date, period, contents of the proposal, resolution of the Board of Directors, and the handling of the supervisor's opinion of this Corporation shall be described: Supervisors have no opinions for the various proposals raised in the 7 board meetings convened in 2016.

(3) State of corporate governance, gaps with the *Corporate Governance Best Practice Principles for TWSE/TPEX 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/TPEX 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/TPEX Listed Companies</i> ?	V		This Corporation has established a <i>Corporate Governance Best Practice Principles</i> according to the <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> , and have disclosed these Principles upon the Market Observation Post System (MOPS) and the official website of this Corporation.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX 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? (2) Did the company maintain a register of majorshareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders? (3) Did the company establish and enforce risk control and firewall systems with its affiliated businesses? (4) Did the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V V V V		(1) A spokesperson system has been established. Dedicated personnel were assigned to handle shareholder recommendations, disputes, and other questions. Matters related to the shareholders' meeting are implemented according to the <i>Regulations for Shareholders' Meetings</i> . (2) In compliance with the regulations, this Corporation discloses changes to shareholding of internal personnel on a monthly basis. During the book closure period, the shareholding agency shall provide a namelist of the shareholders to monitor change to shareholding by the major shareholders. (3) All business and financial transactions between this Corporation 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. (4) In reference to its internal control procedures, this Corporation 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/TPEX Listed Companies</i> . *Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> . *Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> . *Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX 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) This Corporation referred to the regulations of Article 20 of <i>Corporate Governance Best Practice Principles</i> to ensure that members of the Board of Directors have work experiences and professional skills required for business, financial, accounting, and	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX</i>

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/TPEX 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	V	<p>corporate operations. For details of implementation, refer to Page 144 of this Annual Report.</p> <p>(2) This Corporation shall, at appropriate opportunities, evaluate the necessity of establishing functional committees.</p> <p>(3) This Corporation referred to the <i>Self-Evaluation or Peer Evaluation of the Board of Directors</i> to conduct annual performance evaluations. Results of the directors' self-evaluations of 2016 were reported in the board meeting of January 17, 2017. This Corporation has convened a total of 7 board meetings in 2016 while average attendance of every director in the Board of Directors was 84%. 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%) Board meeting operations and implementation of the duties and rights of the directors shall be based upon the board meeting regulations stipulated by this Corporation to ensure excellent implementation and performance of board meeting operations.</p> <p>(4) This Corporation, on the basis of Article 29 of the <i>Corporate Governance Best Practice Principles</i>, implements regular evaluations and acquires a statement of independent from the CPAs. Assessments for the independence of the CPAs were reviewed and passed by the board meeting of August 12, 2016. 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 this Corporation.</p>	<p><i>Listed Companies.</i></p> <p>*Establishment shall be evaluated according to the future needs of this Corporation.</p> <p>*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</i></p> <p>*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</i></p>
<p>4. Has the TWSE/TPEX listed company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters related to board meetings and shareholders meetings, handling corporate registration and amendment registration, and producing minutes of board meetings and shareholders meetings)?</p>	V		<p>This Corporation has currently assigned personnel of the general management department to be in charge of corporate governance affairs, including furnishing information required for business execution by directors and supervisors, handling matters related to board meetings and shareholders' meetings, implementing corporate registration and changes to said registration, and producing minutes of board meetings and shareholders' meetings.</p>	<p>*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</i></p>

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
5. Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? 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		(1) This Corporation has established a spokesperson system and a stakeholders' area in the official website, disclosed relevant contact information upon the MOPS and official website of this Corporation according to the relevant regulations, and created good communication channels with fellow investors. (2) Relevant departments within this Corporation have been assigned to be in charge of maintaining open communication channels with stakeholders that include correspondent banks, consumers, suppliers, and investors.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> .
6. Has the company delegated a professional shareholder service agent to handle shareholders' meeting?	V		This Corporation has delegated the Shareholder Services Department of Horizon Securities Corp. to be in charge of handling affairs related to shareholders' meetings within this Corporation.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> .
7. Information disclosure (1) Did the company establish a website to disclose information on financial operations and corporate governance? (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 V		(1) This Corporation has established a section for disclosing the aforementioned information. Finances, business operations, and corporate governance of this 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. (2) This Corporation has established a corporate website and assigned personnel to maintain and disclose corporate information through the website. This Corporation also established a spokesperson system, and assigned dedicated personnel to collect and publish various information.	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> . *Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> .
8. 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	V		(1) This Corporation 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) This Corporation provides information or content updates on matters relating to corporate governance, finance, accounting, and law for its	*Compliant to the regulations prescribed by <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> .

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
purchase of liability insurance for its directors and supervisors)?			<p>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.</p> <p>(3) Risk management policy in this Corporation 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 this Corporation. Operational risks shall be identified, assessed, monitored, avoided, and reported upon by various 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) This Corporation 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>	
9. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and prioritized matters and measures to be improved upon for matters that have not been improved.	V		<p>(1) The third session of the <i>Corporate Governance Evaluation</i> results announced by TWSE showed that this Corporation was ranked in the 50th to 65th percentile.</p> <p>(2) Evaluation items where this Corporation did not again any points and state of improvements:</p> <p>1. Independent directors of this Corporation failed to attend shareholders' meetings. State of improvement: The 2017 Board of Directors made plans to invite independent directors to attend the shareholders' meeting.</p> <p>2. Failure to provide English versions of the financial statement, meeting minutes, and meeting manual. State of improvement:</p>	*This Corporation shall implement improvements according to the state of improvements and descriptions.

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
			<p>The 2017 meeting minutes and meeting manual shall be uploaded together. However, as the provision of the financial statement requires a higher cost, this Corporation shall evaluate the necessity and implement the matter accordingly.</p> <p>3. The company has failed to establish an audit committee. State of improvement: This Corporation has made plans to establish an audit committee once the period of service of the incumbent directors and supervisors expires (at the re-elections to be held in the 2018 shareholders' meeting).</p> <p>4. Members of the remuneration committee of the company failed to attend at least two meetings. State of improvement: For 2017, the committee will take a pro-active approach in inviting committee members to participate in the committee meetings.</p> <p>5. The company failed to regularly disclose board of directors' performance evaluation results on the its websites or annual report. State of improvement: The board of directors' performance evaluation results shall be immediately disclosed on the website and annual reports of this Corporation.</p> <p>6. Chinese and English versions of material information were not provided at the same time. State of improvement: Starting from 2017, Chinese and English versions of material information are provided in the same time.</p> <p>7. The President and General Manager of the company are the same person. The company has not established additional independent directors beyond minimum legal requirements, has not provided liability insurance for every directors and supervisors, has not voluntarily disclosed the remuneration of each director and supervisor, has not convened at least two investor conferences, has not disclosed a clear dividend policy, has not established a unit for ethical corporate management nor report to the board of directors on such matters on a regular basis, has not signed a group contract</p>	

Items assessed	State of operations			Gaps with the <i>Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
			<p>with the employees, and has not stipulated relevant energy saving and carbon reduction policies, disclosed carbon dioxide emissions, nor implemented certification of environmental management systems.</p> <p>Statement of improvement: This Corporation shall, by considering internal policies and costs of implementation, carry out the items as required.</p> <p>8. The company has not disclosed information on its website on the following: internal regulations prohibiting company directors, employees, and other internal personnel from profiteering using information inaccessible to the market; state of communication between independent directors, internal audit supervisors, and CPA; namelist of major shareholders, including the names, quantity of shares held, and proportion of shareholders with a shareholding percentage in excess of five percent (5%) or top 10 shareholders in terms of proportion of shares held; management team; establishment of a dedicated (or concurrently exercising the responsibilities of) ethical corporate management organization that regularly reports to the board of directors; welfare measures, retirement system, work environment, and personal safety protective measures for the employees; and whistle-blowing system for illegal and unethical behaviors of the internal and external personnel of the company.</p> <p>State of improvement: The website of this Corporation shall disclose the aforementioned information in 2017.</p> <p>9. The company has not published a corporate social responsibility (CSR) report nor established a dedicated unit to implement CSR.</p> <p>State of improvement: This Corporation is expected to release a report in June 2017.</p>	

(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

Identity (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			
Independent director	Mao Li	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent director	Chang-i Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Other	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. However, this restriction does not apply in cases where the person is an independent director of the company, its parent or subsidiary established in pursuant to this law or local laws.
- (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*.

2. Operations of the Salary and Remuneration Committee

(1) This Corporation 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 latest fiscal year (2016), 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%	-
Member	Chang-i Chen	1	1	50%	-
Member	Te-cheng Tu	2	0	100%	-

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, session, contents discussed, and resulting resolutions of the board meeting, 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 board 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/TPEX 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>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(1) This Corporation has stipulated a <i>Principles for the Practice Corporate Social Responsibility</i> but have yet to implement or issue a <i>CSR Report</i>. Nevertheless, overall corporate operations are implemented with compliance to relevant laws and statutory regulations.</p> <p>(2) This Corporation continuously promotes corporate governance principles and social responsibilities and obligations through regular meetings.</p> <p>(3) This Corporation has yet to establish any exclusively (or concurrently) dedicated unit for handling CSR activities. The directors, supervisors, and decision makers of this Corporation maintain 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 this Corporation contain clear descriptions of employee performance assessment and standards for rewards and penalties. This Corporation also shares its revenues with fellow employees and ensure that employee salaries grow with business performance to fulfill corporate obligations.</p>	<p>This Corporation has made plans to publish a CSR Report in June 2017.</p> <p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>This Corporation 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/TPEX 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> <p>(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?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(1) To promote environmental protection efforts and support green procurement, purchasing activities of this Corporation would prioritize products with green or energy saving labels as well as multiple-use products. This Corporation 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 cleanliness.</p> <p>(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.</p>	<p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p>
<p>3. Sustaining community services</p> <p>(1) Has the company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?</p>	<p>V</p>	<p>V</p>	<p>(1) The Employee's Manual of this Corporation was based upon the <i>Labor Standards Act</i> and other relevant labor regulations and laws to safeguard the employees' legal rights.</p>	<p>Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p>

Items assessed	State of operations			Gaps with the <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i> and root causes
	Yes	No	Summary	
(2) Has the company established employee appeal system and channels? Are employee appeals handled appropriately?	V		(2) This Corporation has published an appeal handling flowchart and appeal channels on its website, and has not received stakeholder complaints in 2016.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX 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) This Corporation 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/TPEX 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 this Corporation are open, allowing employees to discuss any questions or problems encountered during life or work with their supervisors at any time. This 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/TPEX 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/TPEX Listed Companies</i> .
(6) Has the company established relevant policies and systems of appeal for consumer rights in the processes of research and development, purchasing, production, operations, and services?	V		(6) Every product has passed inspection standards established by the relevant inspection agencies and is covered by product liability insurances. This Corporation also upholds the customer-first approach and established an <i>0800-Customer Service Center</i> number for the general public to safeguard the customers' rights.	Compliant to the regulations prescribed by <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX 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/TPEX 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) This Corporation 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/TPEX 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 this Corporation, 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 this Corporation 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/TPEX 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	This Corporation has established a website but has not yet disclosed a CSR report. This Corporation also established a spokesperson system, and appointed dedicated personnel to collect and disclose relevant information accordingly.	This Corporation has made plans to publish a CSR Report in June 2017.
5. Where the company has stipulated its own Best Practices on CSR according to the <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i> , please describe any gaps between the prescribed best practices and actual activities taken by the company: This Corporation has yet to establish such Best Practices or principles: This Corporation has stipulated <i>Principles for the Practice Corporate Social Responsibility</i> but have yet to implement or issue a <i>CSR Report</i> . This Corporation has made plans to publish a CSR Report in June 2017.				
6. Any important information useful for understanding the state of CSR operations:				
(1) To fulfill the principle of <i>Giving Back to Society</i> , this Corporation jointly organized the <i>Mercuries Cup Road Race</i> and the <i>Mercuries Taiwan Masters Invitational Golf Tournament</i> with its sponsors to				

Items assessed	State of operations			Gaps with the <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i> and root causes
	Yes	No	Summary	
<p>promote athleticism amongst the general public.</p> <p>(2) Since its establishment, Family Shoes became a participant of the <i>Single Shoes Bank</i> to benefit those with only one leg.</p> <p>(3) Charity donations were held every now and then to care for the underprivileged. This Corporation 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.</p>				
7. Any review standards of certification bodies that the company's CSR report have been qualified for shall be described: Not applicable. This Corporation has yet to issue a CSR Report.				

(6) Compliance with ethical corporate management and measures implemented:

Items assessed	State of operations			Gaps with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
<p>1. Stipulating policies and plans for ethical corporate management</p> <p>(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?</p> <p>(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?</p> <p>(3) Has the company established preventive measures for the items prescribed in Article 7, Paragraph 2 of the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> or business activities with a higher risk of being involved in an unethical conduct within the company's scope of business?</p>	V		<p>(1) All contracts and laws governing this Corporation's transactions and dealings with external parties have been implemented along ethical principles. The Board of Directors have also stipulated <i>Ethical Management Best Practice Principles</i> as the basis for ethical corporate management.</p> <p>(2) This Corporation has stipulated an <i>Ethical Management Best Practice Principles</i> and has an internal control system (ICS) and an employees' code of conduct that provide constant reminders for upholding the principles of integrity. Relevant measures based on these principles have been implemented accordingly.</p> <p>(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.</p>	<p>Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p>
<p>2. Implementing ethical corporate management</p> <p>(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?</p> <p>(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?</p> <p>(3) Has the company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(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 CPA?</p> <p>(5) Does the company regularly organize internal and external training for ethical corporate management?</p>	V	V	<p>(1) This Corporation 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.</p> <p>(2) This Corporation has established a unit for enforcing ethical corporate management. However, the said unit has yet to provide regular presentations to the Board of Directors.</p> <p>(3) This Corporation upholds the <i>Ethical Management Best Practice Principles</i> and ICS to meet independence and mutual auditing requirements, plan the duties and responsibilities of various employees, and to properly prevent any conflict of interest.</p> <p>(4) Regular or unannounced audits of every business cycle are carried out by internal auditors in order to assess the fulfillment of various systems.</p> <p>(5) To ensure the proper implementation of ethical corporate management and ensure that such principles are ingrained within the corporate culture, this Corporation has uploaded relevant specifications in its internal network to be perused by fellow employees, and constantly announces specifications related to ethical corporate management in various meetings.</p>	<p>Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>This Corporation will study, propose, and implement relevant measures where necessary.</p> <p>Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p> <p>Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p>
3. Status for enforcing whistle-blowing systems in the company				

Items assessed	State of operations			Gaps with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> , and the cause of the said gaps
	Yes	No	Summary	
(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) This Corporation has established a channel of appeal. Channels for internal communication are open and relevant matters are handled according to prescribed procedures by a dedicated unit.	Compliant with the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX 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) This Corporation has established an investigation procedure 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/TPEX Listed Companies</i> .
(3) Has the company adopted protection against inappropriate disciplinary actions for the whistle-blower?	V		(3) This Corporation 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/TPEX 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 this Corporation has stipulated a set of best practice principles for ethical corporate management and disclosed these practices by publishing them on this Corporation's official website and MOPS.	These principles have already been established by this Corporation, 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/TPEX Listed Companies</i> , please describe any gaps between the prescribed best practices and actual activities taken by the company: None.				
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, this Corporation also required counterparty suppliers to fulfill the principles of ethical management and to implement them during routine business activities and management practice.				

(7) Corporate Governance Best Practice Principles and method for inquiring relevant regulations: This Corporation 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 this Corporation's official website.

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

1. Risk management policy

The risk management policy of this 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, this 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 this Corporation was assigned to relevant management departments according to their respective duties and roles:

(1) Office of the President: 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 this Corporation's directors and supervisors in 2016:

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	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	12
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
				June 30, 2016	June 30, 2016	Taiwan Securities Association	Corporate governance and corporate social responsibility	3	
				June 17, 2016	June 17, 2016	Taiwan Corporate Governance Association	Responsibilities and legal liabilities of directors and independent directors	3	
Corporate Director Representative	Hsien-chang Wang	June 24, 2015	May 8, 1997	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	6
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
Corporate Director Representative	Hsiang-chung Chen	June 24, 2015	January 15, 2014	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	9
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
				April 8, 2016	April 8, 2016	Taiwan Corporate Governance Association	Responsibilities and operational practices of functional committees under the board of directors	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				
Director	Wei-chun Weng	June 24, 2015	June 5, 2012	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	9
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
				July 12, 2016	July 12, 2016	Securities and Futures Institute	Seminar for legal compliance for equity trading of TWSE/TPEX listed companies	3	
Corporate Director Representative	Ming-yu Mao	June 24, 2015	May 8, 1997	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	12
				August 23, 2016	September 6, 2016	Taipei Exchange (TPEX)	Internal seminar for equity trading of listed / emerging companies	3	
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
				January 26, 2016	January 26, 2016	Securities and Futures Institute	2016 Corporate Governance Forum series - Conference on insider trading and CSR	3	
Corporate Director Representative	Li-yun Yang	June 24, 2015	June 19, 2009	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	9
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
				June 30, 2016	June 30, 2016	Taiwan Securities Association	Corporate governance and corporate social responsibility	3	
Director	Cheng-i Fang	June 24, 2015	October 3, 1983	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	6
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	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				
Independent director	Mao Li	June 24, 2015	June 24, 2015	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	9
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
				March 18, 2016	March 18, 2016	Securities and Futures Institute	Conference on the Advanced Practice of Corporate Directors and Supervisors (including Independent Directors and Supervisors) - Prevention of internal trading amongst directors and supervisors	3	
Independent director	Chang-i Chen	June 24, 2015	June 24, 2015	December 6, 2016	December 6, 2016	Taiwan Corporate Governance Association	Establish an internal ecology and management system to enhance corporate governance	3	9
				November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	
				July 13, 2016	July 13, 2016	Taiwan Corporate Governance Association	Global trends and opportunities in 2016 for green economies and corporate innovation for low carbon measures	3	
Supervisors	I-teng Cheng	June 24, 2015	June 5, 2012	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	6
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	
Supervisors	Chien-chih Liu	June 24, 2015	June 5, 2012	November 14, 2016	November 14, 2016	Taipei Bar Association	Case studies for the responsibilities of directors and supervisors during corporate mergers	3	6
				August 12, 2016	August 12, 2016	Taipei Bar Association	Case studies for the breach of trust by directors and legal risk management	3	

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	July 26, 2016	July 26, 2016	Accounting Research and Development Foundation	Quick familiarity with the latest developments of the IFRS and evaluating the influences thereof for accounting personnel	6	12
				November 2, 2016	November 2, 2016		A study of the <i>supervision and auditing</i> duties and legal responsibilities of directors, supervisors, and managerial officers of public companies - A discussion on legal responsibilities caused by neglect and inaction	3	
				January 11, 2017	January 11, 2017		Discussion of actual practices of generating consolidated financial statements: Addendum and annexes of the consolidated financial statement	3	

(9) Implementation of the internal control system

1. Statement on internal controls

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

Date: March 30, 2017

This Corporation makes the following statement according to the self-evaluation conducted of its internal control system of 2016:

1. This Corporation has achieved full understanding that the establishment, implementation, and maintenance of the internal control system (ICS) are the responsibilities of this Corporation'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. Changes to the environment and status will also affect the effectiveness of internal control systems. However, this Corporation's internal control system has been furnished with self-monitoring systems. This Corporation shall also initiate corrective actions for any verified defects.
3. This Corporation 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. This Corporation has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.
5. This Corporation has referred to the results of the aforementioned assessments and determined that this Corporation's ICS of December 31, 2016 (including monitoring and management of its subsidiaries), including this Corporation'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. This Statement shall be a major content of this Corporation's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contain misrepresentations, nondisclosures, or other illegal acts, this Corporation 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, 2017. Amongst the 9 Directors present in the meeting, none (0) 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 this Corporation and its personnel, or any penalty, major defects, and state of improvements enacted by this 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 2016:
The annual shareholders' meeting of 2016 of this Corporation was held on June 24, 2016, 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:
 - I. Matters to be Discussed
 1. Revision of the *Articles of Incorporation* of this Corporation.
Resolution: This case has been voted and ratified by the shareholders present in the meeting
 - II. Matters to be Resolved:
 1. Ratification of the business report and financial statement of 2015
Resolution: This case has been voted and ratified by the shareholders present in the meeting
 2. Ratification of the appropriation of net income of 2015.
Resolution: This case has been voted and ratified by the shareholders present in the meeting
 - III. Matters to be Discussed
 1. Issuance of new shares via recapitalization of retained earnings by this Corporation.
Resolution: This case has been voted and ratified by the shareholders present in the meeting

Note: For the complete meeting records, meeting manual, and supplementary information of this meeting, 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) Revisions to the *Articles of Incorporation* of this Corporation have been approved and registered by the Ministry of Economic Affairs (MOEA) on July 5, 2016 and disclosed on the website of this Corporation.
- (2) Proposal for earnings distribution: September 4, 2016 was selected as the standard date for distribution while the date for actual distribution was September 30, 2016 (cash dividend per share and stock dividend per share was set to NT\$ 0.6 and NT\$ 0.5 respectively). The amount to be distributed is the same as the amount passed by the resolution in the shareholders' meeting.
- (3) All resolutions from the 2016 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
5th board meeting of the 18th Board of Directors, January 28, 2016	<p>Presentation</p> <ol style="list-style-type: none"> 1. Business report. 2. Audit report. 3. Board of Directors evaluation report. <p>Matters to be Discussed</p> <ol style="list-style-type: none"> 1. Remuneration of managerial officers of this 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 this Corporation. 	<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>Opinions of the independent director: None.</p> <p>Handling of the opinions of the independent director: Not applicable.</p>
6th board meeting (provisional) of the 18th Board of Directors, March 2, 2016	<p>Matters to be Discussed</p> <ol style="list-style-type: none"> 1. Capital loans of this Corporation. 	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Opinions of the independent director: None.</p> <p>Handling of the opinions of the independent director: Not applicable.</p>
7th board meeting of the 18th Board of Directors, March 31, 2016	<p>Presentation</p> <ol style="list-style-type: none"> 1. Business report. 2. Audit report. <p>Matters to be Discussed</p> <ol style="list-style-type: none"> 1. The Statement on Internal Control System of 2015 of this Corporation. 2. 2016 budget plan of this 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 this Corporation. 6. Remuneration for employees of this Corporation. 7. Ratification of the 2015 Business Report and Financial Statement. 8. Appropriation of net income for 2015 of this Corporation. 9. Convening of the 2016 annual shareholders' meeting for this Corporation. 	<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> <p>Unanimously approved by all Directors present in the meeting.</p> <p>Opinions of the independent director: None.</p> <p>Handling of the opinions of the independent director: Not applicable.</p>
8th board meeting of the 18th Board of Directors, May 13, 2016	<p>Presentation</p> <ol style="list-style-type: none"> 1. Consolidated financial statement of the first quarter of 2016 and 2015 of this Corporation. 2. Audit report. 3. Proposals raised during the shareholders' meeting. <p>Matters to be Discussed</p> <ol style="list-style-type: none"> 1. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction by this Corporation. 	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Opinions of the independent director: None.</p> <p>Handling of the opinions of the independent director: Not applicable.</p>
9th board meeting of 18th Board of Directors, August 12, 2016	<p>Presentation</p> <ol style="list-style-type: none"> 1. Consolidated financial statement of the second quarter of 2016 and 2015 of this Corporation. 2. Audit report. <p>Matters to be Discussed</p> <ol style="list-style-type: none"> 1. Stipulate the ex-right and ex-dividend date for the issuance of cash dividend from earnings as well as recapitalization of retained earnings of this Corporation. 2. Stipulation of <i>Corporate Social Responsibility Best Practice Principles</i> of this Corporation. 3. Evaluating the independence of certified public accountants (CPA) by this Corporation. 4. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction by this Corporation. 	<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>Opinions of the independent director: None.</p> <p>Handling of the opinions of the independent director: Not applicable.</p>

Date of key resolution	Content of key resolution	Results of the key resolution
10th board meeting of the 18th Board of Directors, November 14, 2016	Presentation 1. Report on cash capital increase for Powertec Energy Corporation. 2. Consolidated financial statement of the third quarter of 2016 and 2015 of this Corporation. 3. Audit report. Matters to be Discussed 1. 2017 audit plan of this Corporation. 2. 2017 board meeting schedules of this Corporation. 3. Application of line of credit applications from banking institutions. 4. Stipulation of the <i>Corporate Governance Best Practice Principles</i> of this Corporation. 5. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction by this Corporation.	Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Opinions of the independent director: None. Handling of the opinions of the independent director: Not applicable.
11th board meeting of the 18th Board of Directors, December 28, 2016	Presentation 1. Report for selling Simple Mart Trading Co., Ltd. Matters to be Discussed 1. Endorsements and guarantees of this 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 this 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. Opinions of the independent director: None. Handling of the opinions of the independent director: Not applicable.
12th board meeting of the 18th Board of Directors, January 17, 2017	Presentation 1. Audit report. 2. Board of Directors evaluation report. Matters to be Discussed 1. Remuneration of managerial officers of this Corporation.	Unanimously approved by all Directors present in the meeting. Opinions of the independent director: None. Handling of the opinions of the independent director: Not applicable.
13th board meeting of the 18th Board of Directors, March 30, 2017	Presentation 1. Audit report. 2. Report on cash capital increase and subscription for Powertec Energy Corporation. Matters to be Resolved 1. Ratification of the 2016 Business Report and Financial Statement. Matters to be Discussed 1. The Statement on Internal Control System of 2016 of this Corporation. 2. 2017 budget plan of this Corporation 3. Application of line of credit applications from banking institutions. 4. Revisions to the <i>Articles of Incorporation</i> of this Corporation. 5. Revisions to the <i>Procedure for the Acquisition and Disposal of Assets</i> of this Corporation. 6. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction in this Corporation. 7. Remuneration for directors, supervisors, and managerial officers of this Corporation. 8. Appropriation of net income for 2016 of this Corporation. 9. Convening of the 2017 annual shareholders' meeting for this Corporation.	Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Opinions of the independent director: None. Handling of the opinions of the independent director: Not applicable.

Date of key resolution	Content of key resolution	Results of the key resolution
14th board meeting of the 18th Board of Directors, May 12, 2017	Presentation 1. Consolidated financial statement of the first quarter of 2016 and 2015 of this Corporation. 2. Audit report. 3. Proposals raised during the shareholders' meeting. Matters to be Discussed 1. Recovery of restricted employee equities that have been issued, extinguishing of new shares, and capital reduction in this Corporation. 2. Convening of the 2017 annual shareholders' meeting for this Corporation.	Unanimously approved by all Directors present in the meeting. Unanimously approved by all Directors present in the meeting. Opinions of the independent director: None. Handling of the opinions of the independent director: Not applicable.

(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 President, general manager, accounting manager, financial executive, internal audit manager) in the most recent fiscal 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	Ke-yi Liu	Kun-hsi Hsu	January 1, 2016 to December 31, 2016	-

Professional charge		Accounting charge	Non-accounting charge
Fee range			
1	Less than NT\$ 2,000,000	-	NT\$ 180,000
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000	-	-
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000	NT\$ 5,700,000	-
4	NT\$ 6,000,000 (inclusive) to NT\$ 8,000,000	-	-
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	Notes
-	110	-	70	NT\$ 180,000	Recapitalization of retained earnings

- (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 accounting fee paid for the year was at least 15% less than that of the previous year: None.

6. Replacement of Accountants:

(1) Information on the previous CPA

Date of replacement	July 2, 2015		
Cause and details of the replacement	This Corporation's accounting firm, BDO Taiwan, adjusted 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 President, 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	2016		As of April 24,2017	
		Additional (reduction) of shares held	Additional (reduction) of shares pledged	Additional (reduction) of shares held	Additional (reduction) of shares pledged
President / Major shareholders	Shanglin Touzi	7,010,712	80,000	0	(5,000,000)
Corporate representative of the President / Managerial officer	HL Chen	939,769	(800,000)	0	0
Corporate representative of the directors	Ming-yu Mao	211,695	0	0	0
Corporate representative of the directors	Hsien-chang Wang	21,770	0	0	0
Corporate representative of the directors	Hsiang-chung Chen	605,847	0	0	0
Director	Wei-chun Weng	250,766	0	0	0
Director	Cheng-i Fang	265,289	0	0	0
Corporate representative of the directors	Li-yun Yang	20,197	0	0	0
Independent director	Mao Li	1,850	0	21,000	0
Independent director	Chang-i Chen	0	0	0	0
Supervisor / Major shareholder	Shuren Touzi	4,834,524	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	6,897	0	0	0
Managerial officers	TK Chin	2,469	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.

(2) Information of the counterparty of equity transfer in the event that the said counterparty is a related party: No such counterparty exists in this 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 this 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 24, 2017

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	Relationship	
Shanglin Touzi Representative: Chang-hui Hsu	147,224,961	20.58%	-	-	-	-	-	-	-
Shuren Touzi Representative: Chao-hsi Weng	101,525,019	14.19%	-	-	-	-	Shufeng Touzi Co., Ltd.	Same person as the President	-
Shufeng Touzi Co., Ltd. Representative: Chao-hsi Weng	35,936,399	5.02%	-	-	-	-	Shuren Touzi	Same person as the President	-
Mercury Fu Bao Co., Ltd. Representative: Hsien-chang Wang	34,602,223	4.84%	-	-	-	-	-	-	-
Shanghong Touzi Co., Ltd. Representative: HL Chen	20,741,553	2.90%	-	-	-	-	HL Chen	President of this company	-
HL Chen	19,735,158	2.76%	-	-	-	-	Shanghong Investment (Shareholder) Company (Shanghong Touzi Co., Ltd.) Pension fund management committee of the MERCURIES & ASSOCIATES, LTD.	President of this company This Corporation Representative	-
New employee pension fund	17,299,176	2.42%	-	-	-	-	-	-	-
Pension fund management committee of MERCURIES & ASSOCIATES, LTD. Representative: HL Chen	16,254,988	2.27%	-	-	-	-	HL Chen	Representative of this company	-
Chao-hsi Weng	15,488,583	2.17%	14,286,491	2.00%	-	-	Chun-hui Yang	Spouse	-
Chun-hui Yang	14,286,491	2.00%	15,488,583	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: 1,000 shares; %

April 24, 2017 Other companies invested by this Corporation (Note)	Investments by this 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	0.00%	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	741,382	44.47%	265,655	15.94%	1,007,037	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%	13,154	18.50%	58,049	81.64%
HIPACT TECH. INC.	17	8.61%	156	77.97%	173	86.58%
SCI Pharmtech Inc.	25,236	31.90%	2,021	2.55%	27,257	34.45%
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 Insurance Agency	300	100.00%	0	0.00%	300	100.00%
Sanyou Drugstores, Ltd.	17,500	50.00%	0	0.00%	17,500	50.00%
Mercuries FoodService Co., Ltd.	-	25.31%	-	74.69%	-	100.00%
Tasty Noodle Co., Ltd.	-	100.00%	-	0.00%	-	100.00%
Family Shoemart Co., Ltd.	-	100.00%	-	0.00%	-	100.00%
Asiandawn Ventures Inc.	-	16.62%	-	74.34%	-	90.96%
Monteur & Mercuries Co., Ltd.	6,000	50.00%	0	0.00%	6,000	50.00%
Mercuries FoodService Japan, Ltd.	-	6.67%	-	93.33%	-	100.00%

Note: The equity method was used to evaluate this 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	Other
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 new 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 new 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 new 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 new 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 new 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 new 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 new restricted employee equities for a capital reduction of NT\$ 10,000	None	Note 20
June 2016	NT\$ 0	900,000,000	9,000,000	681,338,902	6,813,389	Extinguished new restricted employee equities for a capital reduction of NT\$ 10,000	None	Note 21
August 2016	NT\$ 0	900,000,000	9,000,000	681,333,902	6,813,339	Extinguished new restricted employee equities for a capital reduction of NT\$ 50,000	None	Note 22
August 2016	NT\$ 0	900,000,000	9,000,000	715,400,897	7,154,009	Recapitalization of retained earnings 340,670,000	None	Note 23
December 2016	NT\$ 0	900,000,000	9,000,000	715,398,897	7,153,989	Extinguished new restricted employee equities for a capital reduction of NT\$ 20,000	None	Note 24
January 2017	NT\$ 0	900,000,000	9,000,000	715,397,897	7,153,979	Extinguished new restricted employee equities for a capital reduction of NT\$ 10,000	None	Note 25
May 2017	NT\$ 0	900,000,000	9,000,000	715,394,897	7,153,949	Extinguished new restricted employee equities for a capital reduction of NT\$ 30,000	None	Note 26

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 5: 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 Statement No. 104122101 of December 21, 2015.

Note 19: Approved by the MOEA *Ching-Shou-Shang-Tzu* Document No. 10501040650 of March 3, 2016; approved by Statement No. 105031001 of March 10, 2016.

Note 21: Approved by the MOEA *Ching-Shou-Shang-Tzu* Document No. 10501118170 of June 13, 2016; approved by Statement No. 105062101 of June 21, 2016.

Note 22: Approved by the MOEA *Ching-Shou-Shang-Tzu* Document No. 10501209420 of August 25, 2016; approved by Statement No. 105083101 of August 31, 2016.

Note 23: Statement entered into force by the Financial Supervisory Commission (FSC) on July 15, 2016; approved by the MOEA *Ching-Shou-Shang-Tzu* Document No. 10501230250 of September 20, 2016.

Note 24: Approved by the MOEA *Ching-Shou-Shang-Tzu* Document No. 10501278260 of December 5, 2016; approved by Statement No. 105121301 of December 13, 2016.

Note 25: Approved by the MOEA *Ching-Shou-Shang-Tzu* Document No. 10601006150 of January 17, 2017; approved by Statement No. 106012401 of January 24, 2017.

Note 26: Approved by the MOEA *Ching-Shou-Shang-Tzu* Document No. 10601056540 of May 1, 2017; approved by Statement No. 106050801 of May 8, 2017.

Note 27: New restricted employee equities amounting to NTS 20,000 were extinguished on May 12, 2017 following a Board Meeting resolution. This change has yet to be registered before the publication date of this report.

(2) Category of shares

April 24, 2017 Unit: Shares

Category of shares	Authorized stock			Note
	Outstanding shares (note)	Unissued shares	Total	
Registered common shares	715,397,897	184,602,103	900,000,000	Outstanding stock of a listed company

(3) Shareholder structure

April 24, 2017 Unit: Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Other artificial persons	Per individual	Overseas institutions and individuals	Total
Number of individuals	2	2	77	25,498	130	25,709
Shares held	17,299,180	17,520	380,190,369	259,687,072	58,203,756	715,397,897
Percentage held	2.42%	0.00%	53.15%	36.30%	8.13%	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) Dispersion of equity ownership

April 24, 2017 Unit: Shares

Shareholding range	Number of shareholders	Total shares	Percentage of issued shares (%)
1 to 999	12,837	3,054,397	0.43%
1,000 to 5,000	8,255	17,954,712	2.51%
5,001 to 10,000	2,168	15,499,333	2.17%
10,001 to 15,000	858	10,459,503	1.46%
15,001 to 20,000	348	6,158,552	0.86%
20,001 to 30,000	415	9,958,087	1.39%
30,001 to 50,000	332	12,795,790	1.79%
50,001 to 100,000	217	14,999,942	2.10%
100,001 to 200,000	126	16,942,056	2.37%
200,001 to 400,000	65	18,013,371	2.52%
400,001 to 600,000	31	15,548,293	2.17%
600,001 to 800,000	10	7,117,700	0.99%
800,001 to 1,000,000	4	3,474,421	0.49%
> 1,000,001	43	563,421,740	78.75%
Total	25,709	715,397,897	100%

(5) List of major shareholders

April 24, 2017 Unit: Shares

Shares	Shares held	Shareholding percentage
Name of major shareholder		
Shanglin Touzi Co., Ltd.	147,224,961	20.58%
Shuren Touzi Co., Ltd.	101,525,019	14.19%
Shufeng Touzi Co., Ltd.	35,936,399	5.02%
Mercury Fu Bao Co., Ltd.	34,602,223	4.84%
Shanghong Touzi Co., Ltd.	20,741,553	2.90%
HL Chen	19,735,158	2.76%
New employee pension fund	17,299,176	2.42%
MERCURIES & ASSOCIATES, LTD. Pension fund management committee	16,254,988	2.27%
Chao-hsi Weng	15,488,583	2.17%
Chun-hui Yang	14,286,491	2.00%

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

Item		Year	2015	2016	From this fiscal year to May 12, 2017 (Note 4)
Market price per share	Max		24.15	23.80	27.50
	Min		15.90	17.75	22.15
	Average		20.24	19.80	24.98
Net value per share	Before issuance		17.02	19.74	19.75
	After issuance		15.63	17.79 (Note 5)	-
Earnings per share	Weighted average (thousand shares)		642,122	674,235	674,235
	Earnings per share	Before retroactive adjustment	2.30	3.04	(0.87)
		After retroactive adjustment	2.19	-	-
Dividend per share (DPS)	Cash dividend		0.6	0.7 (Note 5)	-
	Free allotment	Surplus allotment	0.5	0.7 (Note 5)	-
		Capital reserve allotment	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on investment analysis	Price-to-earning ratio (P/E) (Note 1)		8.80	6.51	-
	Price-to-dividend ratio (P/D) (Note 2)		33.73	28.29 (Note 5)	-
	Cash dividend yield (Note 3)		0.03	0.04 (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 up to the publication date of this Report.

Note 5: Appropriation of net income for 2016 was approved by the Board Meeting on March 30, 2017, and is currently pending a resolution in a shareholders' meeting.

(7) Dividend policy of the company and its implementation

1. Dividend policy of this Corporation:

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

If this Corporation has made a profit, no less than one percent (1%) of the said profit shall be set aside for employees' compensation. A Board Meeting resolution shall determine whether to issue the compensation in stocks or cash. Recipients of the said compensation shall include company employees who satisfy specific criteria. A Board Meeting resolution may set aside no more than one percent (1%) of the amount of the said profit as remuneration for the directors and supervisors. 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 this Corporation:

Where the annual final statement of this Corporation reveals a profit, after its losses have been covered and all taxes and dues have been paid, ten percent (10%) shall be set aside as the legal reserve. However, it will not be necessary to set aside the legal reserve where the amount of legal reserve has reached the paid-in capital of this Corporation. In compliance with statutory regulations, a special reserve shall then be set aside or reversed from the remaining sum. The portion remaining after payment of stock dividends, together with the cumulated undistributed earnings, shall be used as the sum by which the Board of Directors may provide a surplus distribution proposal and submit the said proposal to the shareholders' meeting to resolve on a distribution of shareholders' dividends or bonuses.

The dividend policy of this 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 2016 plan for the appropriation of net income in this Corporation has been approved through a Board Meeting. 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\$ 0.7 and a stock dividend per share of NT\$ 0.7. The following table details the 2016 plan for appropriating net income:

2016 plan for the appropriation of net income

Unit: NT\$

Item	Sum	
	Subtotal	Total
Undistributed earnings at the beginning of the period		1,899,514,878
Add: Changes to undistributed earnings of the investees (Note 1)	66,559,690	
Add: Actuarial gains and losses converted into retained earnings	22,410	
Addition: Net income after taxes for this fiscal year	2,049,513,458	
Surplus available for allotment		4,015,610,436
Minus: Legal reserves that have been set aside	(204,951,346)	
Add: Reversal for the special reserve (Note 2)	866,857,331	
Allotted item		
Shareholders' bonus - cash (NT\$ 0.7 / share) (Note 2)	(500,778,528)	
- Shares (NT\$ 0.7 / share) (Note 2)	(500,778,520)	
Undistributed earnings at the end of the period		3,675,959,373

Note 1: Changes to undistributed earnings of investees include actuarial gains and losses resulting from finalized welfare plans and adjustments to the undistributed investment earnings of the investee calculated using the equity method.

Note 2: Profits generated in 2016 were prioritized for allocating shareholders' bonus.

3. Material changes for the expected dividend policy: Expected dividend policy of this 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:

This Company has neither compiled nor announced financial estimates for 2017.

(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 this Corporation has made a profit, no less than one percent (1%) of the said profit shall be set aside for employees' compensation. A Board Meeting resolution shall determine whether to issue the compensation in stocks or cash. Recipients of the said compensation shall include company employees who satisfy specific criteria. A Board Meeting resolution may set aside no more than one percent (1%) of the amount of the said profit as remuneration for the directors and supervisors.

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' remuneration of 2016 to be paid by this Corporation shall be issued in accordance with the Articles of Incorporation of this Corporation. Where this Corporation makes a profit for the year, no less than one percent (1%) of that profit shall be set aside for employees' compensation, and no less than one percent (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\$ 20,900,000.

(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 2016 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\$ 3.04.

4. Actual issuance of the employees' compensation and the directors' and supervisors' compensation in 2015:

The employees' compensation as well as the directors' and supervisors' remuneration of 2016 in this Corporation was reviewed and passed during the shareholders' meeting of June 24, 2016. The following describes the actual sums issued:

(1) Issue a directors' and supervisors' remuneration of NT\$ 12,500,000 and employees' compensation of NT\$ 16,600,000.

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

(10) Repurchase by this 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 Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 2,000 shares.

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

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

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

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

(6) On November 13, 2015, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 8,000 shares.

(7) On January 28, 2016, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 1,000 shares.

- (8) On May 13, 2016, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 1,000 shares.
- (9) On August 12, 2016, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 5,000 shares.
- (10) On November 14, 2016, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 2,000 shares.
- (11) On December 28, 2016, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 1,000 shares.
- (12) On March 30, 2017, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 3,000 shares.
- (13) On May 12, 2017, the Board Meeting resolved to repurchase new restricted employee equities that have been issued, resulting in the extinguishing of 2,000 shares. Change has yet to be registered at 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 24, 2017

New restricted employee equities and categories	1st (issuance of) new restricted employee equities
Date of effective registration	December 12, 2013
Date of issuance	December 26, 2013
New restricted employee equities issued	191,000
Price at issuance	0
Proportion of new restricted employee equities issued as a part of total issued and outstanding shares	0.027%
Prerequisites for receiving new restricted employee equities	Vesting conditions for an employee for receiving shares include a tenure of at least 5 years and consecutive work performance assessment rating of <i>excellent</i> during the period.
Restrictions and privileges for receiving new 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 <i>Regulations Governing the Offering and Issuance of Securities by Securities Issuers</i>, 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 <i>Regulations Governing the Offering and Issuance of Securities by Securities Issuers</i>, the quantity of employee stock option warrants may not exceed 1% of the total number of issued shares.</p>
Safekeeping of new 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 this Corporation without charge, unless the said employees have special conditions such as retirement, severance, unpaid leave, or received other approvals from this Corporation.
Quantity of new restricted employee equities that have been recovered or repurchased	55,000
Quantity of new restricted equities that were extinguished	0
Quantity of new restricted equities not yet extinguished	136,000
Proportion of new restricted equities not yet extinguished as part of total issued and outstanding shares (%)	0.019%
Impact to shareholders' equity	This Corporation has issued 715,395,000 shares, of which new restricted employee equities make up 0.019% of total quantity of shares issued. The dilution effects of such equities to earnings per share (EPS) are therefore limited and will not significantly affect existing shareholder equities.

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

April 24, 2017 Unit: Shares; %

	Title (Note 1)	Name	New restricted employee shares acquired (shares)	Proportion of new restricted employee equities issued as part of total equities that have been issued (Note 2)	Restricted equities that were extinguished			Restricted equities not yet extinguished				
					Quantity of shares that were no longer restricted	Publisher Price	Publisher Sum	Proportion of shares that were no longer restricted as part of total equities that have been issued (Note 2)	Quantity of shares that have remained restricted (shares)	Publisher Price	Publisher Sum	Proportion of shares that have remained restricted as part of total equities that have been issued (Note 2)
Managerial officers	-	-	-	-	-	-	-	-	-	-	-	-
	-	-										
	-	-										
	-	-										
	-	-										
Employee (Note 1)	Manager	Hui-chu Chien	12,000	0.0017%	-	-	-	-	12,000	0	0	0.0017%
	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.

Note 2: The total quantity of issued shares shall be based upon the number of shares listed on the change registration information of the Ministry of Economic Affairs (MOEA).

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

None.

8. Implementation of capital application plan

(1) Contents of the plan: None.

(2) Implementation status: None.

V. Operation summary

This Corporation is an integrated service provider. 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 this Corporation: General investments.
2. Details of primary business operations of companies invested by this Corporation:

(1) Retail of daily commodities and food

- 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.

(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

- Manufacturing of computers and peripheral devices, installation of computer equipment, manufacturing of data storage and processing equipment, retail sales of IT software, provision of electronics and information services, and the like.

3. Proportion of each business

Unit: Thousand NT\$

Business item	2015		2016	
	Business revenue	Proportion	Business revenue	Proportion
Retail of daily commodities and food	17,321,470	8.98%	18,324,269	8.92%
Insurance	170,513,158	88.36%	181,342,376	88.30%
Pharmaceuticals	1,854,863	0.96%	1,928,354	0.94%
Others	3,278,170	1.70%	3,773,650	1.84%
Total	192,967,661	100%	205,368,649	100%

4. Current products (services) offered by this Corporation

(1) Retail of daily commodities and food

- Trading 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).
- Serving of fast food that includes noodles, rice, fried pork chop, Japanese bento sets, and pizzas.
- Branded footwear, apparel, and accessories 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, group injury protection insurance, and the like.

(3) Pharmaceuticals

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

(4) Others

- Services for financial businesses (software and hardware planning, development, and setup services for financial IT systems), public businesses (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 2017, 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 to the transforming social structure, this Corporation shall continue to develop various life insurance products while concentrating in generating added value for its products which include. 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 have thus released a number of creative digital services. This Corporation is also committed towards the promotion of quick and convenient e-services and establish mobile operational procedures as well as cloud-based customer services. 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
Barbital sodium	API intermediate
Mara-IMB	API intermediate
Marariroc	APIs

(4) Others

To improve the customer's convenience in integrating various services, help clients meet the goals of reduced labor and costs, and improve the competitiveness of this Corporation's products and services, this Corporation has continued to develop products for the financial sector. Examples include: finger vein recognition card-free ATM, mobile phone card-free ATM, joint development platforms for ATM applications, and other new products and services. Non-financial products include: M2O mobile sales service platform, and cloud services for dispatch personnel, as well as ongoing R&D efforts in the development of wireless broadcasting systems, wireless emergency intercom systems, and other new products and services. In the future, this Corporation shall continue to actively develop various application systems and platforms integrating software and hardware equipment, and focus on R&D of products and innovation to meet the customer's satisfactions. The customer's needs shall be the focus while the aim is to improve the customer's operational capacity to develop customized systems to improve information flow, reduce human resource waste, improve overall corporate performance and benefits of the customer, and build highly efficient IT-based services.

(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 63.15% of the national GDP in 2016. 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 2007 to 2016 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 continues to exhibit stable growth.

Statistics on premium income in Taiwan

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total premium income (hundred million NT\$)	18,751	19,188	20,066	23,128	21,982	24,784	25,835	27,711	29,267	31,334
Growth rate (%)	19.91	2.33	4.58	15.26	(4.96)	12.75	4.24	7.26	5.61	7.06

Source: Taiwan Insurance Institute (TII)

Taiwan's insurance sector has an extremely high rate of penetration (insurance policy income as a portion of total GDP), but average coverage per capita is still relatively low. This information show that the general public prefers insurance products that provide principal repayment or products that are similar to fixed deposits. However, the life insurance coverage provided for such insurances are limited and offer inadequate protection. Families are having fewer children and society is aging rapidly, providing 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, and is expected to transform its biotech industry into a crucial pillar of domestic economy by 2020. 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. Phase-based policy programs such as the *National Development Plan* and *Biotech Island Project* have demonstrated the successful achievement of certain results. 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 BioFund 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 great opportunities for further development.

The biotech industry is currently the only industry in Taiwan with laws dedicated to rewarding R&D investments in the said industry. The government passed the *Biomedical Industry Innovation Promotion Plan* in November 2016 and established the *Biomedical Industry Innovation Promotion Project Implementation Center* in January 2017. Such measures are expected to introduce enact more measures and introduce more resources to transform biotech into another trillion-dollar industry on par with the semiconductor and optoelectronics sectors.

(4) Others

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. Demands for automatic teller machines (ATMs) by financial institutions have continued to grow. Rapid advancements in technologies and IT, the maturity of mobile networking technologies, and the ubiquity of smart phones have promoted active developments in mobile banks and mobile payment solutions. 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.

The introduction of finger vein card-free reader ATM (RATM) for user convenience is warmly received by the market. The quality and services provided by Mercuries Data Systems (MDS) have acquired customer confidence and a leading position in market share.

Financial automation services focus on service as a distribution agent for HITACHI-OMRON products. 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. 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. Automated financial services also demand stringent security controls and highly reliable operational environments. System integrators and service providers have therefore become key subcontractors capable of leading overall market development. Major system integration projects successfully carried out by MDS include ticketing systems for mass rapid transit and the 2010 Taipei International Flora Exposition. This Corporation also offer comprehensive and integrated sales, installation, and warranty services for the distribution and marketing of IT products such as servers, storage equipment, and wireless communication systems by working with leading companies from around the world such as ORACLE, HP, EMC, and MOTOROLA. MDS also have extensive experiences in large scale integration of public transportation, ticketing, telecommunications, and surveillance systems, allowing MDS to build another niche of development outside its standard business focus of automated financing and become the best partner for many government agencies and corporate enterprises.

For the integration of public construction systems with automation services, MDS is currently the leading systems integrator for financial, telecommunication, and public transportation sectors with 15 service centers in northern, central, and southern Taiwan as well as offshore islands. 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
Other	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

According to statistics from the Life Insurance Association (LIA), annual premium income in early 2016 amounted to NT\$ 1,196,145 million, wherein the volume achieved by the internal sales systems of the insurance companies amounted to NT\$ 490,526 million (41.01% of the total), volume achieved by bank-based channels amounted to NT\$ 625,569 million (52.30% of the total), while the volume achieved by traditional insurance agents and insurance brokers amounted to NT\$ 80,050 million (6.69% of the total). 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 first-year 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 pressures due to large withdrawals from their liability reserves. 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. However, to insurance companies, human resource management is key to sustainable development. For this year, various forms of financial support and image advertisements have been released to attract young insurance sales agents. There is still currently a need to attract younger talents to effectively improve performance and competitiveness.

B. Banks

Bank channels have recently achieved rapid growths in terms of insurance income. However, as a result of impacts from the financial crisis, people have grown more conservative for investments. Banks therefore introduced insurance categories with

lower risks. Given the fact that the public are more receptive to insurance products, sales through personal banking agents were easier to achieve compared to ordinary sales representatives. 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.

Given the low interest rates of the environment, deposit-like products have become the primary form of products available on the market. Due to market competition posed by the bank channels, insurance companies have continued to reduce additional expenses of insurance products while improving sales commissions, resulting in significant additional expenses of insurance products sold through bank channels. In May 2016, the competent authorities released a formal letter prohibiting additional expense ratios of insurance products, forcing various companies to reduce sales commissions through banking channels. Investment-linked insurance policies therefore suffered significant reductions in 2016. Due to the extended lifespans of many fellow citizens and greater attention placed upon health and medical care, key products that customers wish to acquire include life-long medical care, anti-cancer insurances, disability support insurances, and long-term insurances. This Corporation also designed competitive cancer insurance, disability support insurance, and similar products based on these situations to cater to the customer's requirements and bring about business growth for this Corporation.

(3) Pharmaceuticals

United Nations (UN) statistics showed that global population is currently 7 billion and will be reaching 9.5 billion by 2050. Total demands for pharmaceuticals are closely associated with population growth. Past growth has been stable, and sales are unlikely to be affected by the overall economy of the general environment. Emerging economies are also growing rapidly, with medical expenses growing with national income. The global market for pharmaceuticals is expected to maintain a growing trend with increasing demands from the emerging economies. The global market for pharmaceuticals amounted to US\$ 1.07 trillion in 2015 which was a 0.8% growth compared to 2014. Estimates by professional institutions showed an average compound growth rate of about 5 to 6% per year, with the market reaching a global scale of US\$ 1.4 trillion by 2020. The active pharmaceutical ingredients (API) market, currently worth about 10% of the preparations market, would grow with the latter.

By 2020, the global market for pharmaceuticals will reach a value of US\$ 1.4 trillion, of which generic drugs will comprise 60 to 70% of the market. The size of the generic drugs market has continued to grow every year primarily due to the fact that generic drugs are able to seize market shares upon the expiration of drug patents. Also, in an effort to reduce medical costs, medical institutions will switch to generic drugs once they became available. Mergers are being used as a major competitive strategy adopted by big pharmaceutical companies to expand research and development lines

and enter new fields. In 2015, the largest acquisition of generic drugs was the US\$ 40.5 billion acquisition of generic drugs businesses under Allergan by Teva, the global leader in generic drugs. In addition to consolidating Teva's leadership in the market, the acquisition also helped to expand its product line. Pfizer also acquired Hospira for US\$ 17 billion, adding a number of sterilized pharmaceutical injections for its product portfolio and helping the company accelerate developments in the field of biosimilars. 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

A. Automated financial services

Following the integration of financial holding companies, large scale deployment of automated service units was adopted to replace traditionally manual processes to improve operational efficiency and reduce costs. This Corporation has recently provided active distribution services for the latest cash recycling ATM SR 7500 manufactured by the Japanese company Hitachi-Omron. Over 2,000 units of SR 7500 have been sold. Together with the sales figures of CZ-5000T units, this Corporation has sold over 4,000 ATM units, gradually improving the market share of cash recycling ATMs of this Corporation. To introduce products with better differentiation, this Corporation also actively introduced *deposit machines* to support logistics, retail, or other franchise owners to form direct connections with the bank and use the system to achieve instantaneous deposits, allowing security squads to pick up the cash notes instead. Deposit machines provided by this Corporation is the only type available on the market capable of accepting both coins and banknotes while helping customers reduce the costs required to provide security protection for the said banknotes.

Also, in order to satisfy the 7X24 uninterrupted service required of the financial sector, this Corporation also introduced the Virtual Teller Machine (VTM). To help financial companies develop digital finances and smart branches, this Corporation also took an active approach in developing total solutions for branch expansions and improving personalized and differentiated service quality. Teller Cash Recycler (TCR) was also introduced as an answer for convoluted cash handling in branch offices. TCR equipment can be used to achieve greater efficiency in cash management and deployment. Finger Vein ATM identifies finger veins instead of traditional ATM card identification methods. Finger Vein card-free ATM (RATM) was introduced to improve user convenience and the technology has been warmly received by the market. Similar services were released by various banks, offering plenty of business opportunities in the future.

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 mainly on finance, traffic control, telecommunications, education, and firefighting. To provide better services to the client, concepts of Major Account and Integrated Service were introduced in order to build experiences and achieve better understanding of focus clients, their 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 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. 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:

Many automation equipment or systems on the market have been used for many years. 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 such as finance and telecommunications pursue greater degrees of automation. This Corporation has over 40 years of actual experience in maintenance and repair services and has established 15 service stations throughout the country (including Kinmen, 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\$

Year	2016	From this fiscal year to March 31, 2017
Retail of daily commodities and food retail	894	44
Insurance	27,306	11,447
Pharmaceuticals	35,644	8,634
Others	118,246	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
2016	MLI <i>Yongbao Ankang</i> Whole life cancer insurance (UBAC)
	MLI <i>Youli Wenying</i> Variable universal life insurance (WVUL)
	MLI <i>Youli Wenying</i> Variable annuity insurance (WVA)
	MLI OIU <i>Meiman Yisheng</i> Variable whole life insurance with USD interest
	MLI Xinmeili Whole life insurance with USD (MSJB)
	Addendum for MLI group health insurance for outpatient and surgical services for foreign students
	MLI Serious disease whole life health insurance policy rider - Class B (ZDDBR)
	MLI <i>Youli Rensheng</i> variable universal life insurance (RVUL)
	.
	(skipped)
MLI <i>Aiguanhuai</i> critical injury and illness account whole life health insurance (ICI)	
As of April 30, 2017	MLI <i>Youli Jingxuan</i> foreign currency variable annuity insurance (JFVA)
	MLI <i>Youli Jingxuan</i> foreign currency variable universal life insurance (CFVUL)
	MLI <i>Youli Jingxuan</i> variable annuity insurance
	MLI <i>Youli Jingxuan</i> variable universal life insurance (JVUL)
	.
(skipped)	
MLI <i>Youli Jingxuan</i> international variable universal life insurance (IVUL)	

(3) Pharmaceuticals

Trial production of new products	Commercialized mass production of new products	Improvements to production process
CP-56	MTMS PMDOL Olivetol	MTMS PMDOL

(4) Others

Since the first ATM was installed in the Bank of Taiwan in 1978, this Corporation has focused on developing automated equipment and operation systems for banks as well as sales and maintenance of branch teller connection systems and other integrated products, solutions, and systems. For nearly 40 years, this Corporation has expanded into the financial IT sector as well as systems integration for telecommunications, traffic, education, and public entities. Customer requirements are referenced to research and develop server-based trading platforms, distributed mobile monitoring and management, and other application systems.

System R&D departments target user requirements during software development, and continue to review market trends to determine the directions of future development. 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).

(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-hows 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, this Corporation shall also actively develop new products and expand business opportunities for new target demographics. As the aging society becomes a reality, this Corporation shall continue to provide various insurance products for (or related to) long-term care according to the needs of the market and improve protection provided 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. Professionals shall determine allocation methods based upon the investment characteristics of the insured, and design diversified mechanisms, addendum, or annexes for guaranteed payment upon death to satisfy the requirements of the insured.

(2) Long-term

Continue to develop creative products and promote products with strategic value or high contribution, and employ the 3 primary sales channels, namely insurance personnel, banks, and diverse marketing 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

Increase the business proportion of API.

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

Business Development Division	Short-term plans	Mid- and long-term plans
Customer aspect	<ul style="list-style-type: none"> ⊙ Carefully screen for first rate customers and major projects. ⊙ Provide customers with solutions and support package requirements to improve customer satisfaction. 	<ul style="list-style-type: none"> ⊙ Continue to develop and manage Major Accounts. ⊙ Setup customer-oriented and customized systems to establish a comprehensive system database.
Product aspect	<ul style="list-style-type: none"> ⊙ Expand distribution rights for product categories. ⊙ Include international goods to provide products with competitive pricing. ⊙ Improve core competitive advantages of quality, date of delivery, and cost. 	<ul style="list-style-type: none"> ⊙ Improve the proportion of domestically produced parts for ATMs. ⊙ Promote core products and core services to provide better professionalism and added value. ⊙ Improve R&D standards and capabilities to support new product development. ⊙ Provide a diverse selection of cloud applications and services. ⊙ Continue to expand and develop new business models to create product differentiation and value.
Market aspect	<ul style="list-style-type: none"> ⊙ Current performance and lessons of success shall be replicated for other customers with similar requirements. ⊙ Improve technical exchanges with other companies to promote technological development, product applications, and satisfy market requirements. ⊙ Actively support new product development to expand upon the existing scope of business. ⊙ Actively participate in international exhibits to gain familiarity over the latest developments and trends of the market. 	<ul style="list-style-type: none"> ⊙ Identify long-term strategic partnerships with domestic and overseas companies to access market resources on information and technology. ⊙ Form strategic alliances with both competing and non-competing companies to improve profitability of core businesses. ⊙ Promote competitiveness in response to globalization and to promote strategic alliances with local and overseas companies. ⊙ Establish cross-Strait work specialization and continue to expand the overseas market.

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 2016

Unit: Thousand NT\$

Region	Retail of daily commodities and food	Percentage
Taipei, Keelung, Yilan, and Hualien	9,429,510	51.46%
Taoyuan, Hsinchu, and Miaoli	2,918,218	15.93%
Taichung, Changhua, and Nantou	2,500,282	13.64%
Yunlin, Chiayi, and Tainan	1,319,357	7.20%
Kaohsiung and Pingtung	1,650,869	9.01%
Overseas and Mainland China areas	478,410	2.61%
Subtotal	18,296,646	
Other	27,623	0.15%
Total	18,324,269	100.00%

(2) Life insurance

Establish 8 branch offices and 286 communication sites across Taipei, Taichung City, Taichung City Hall, Chiayi, Tainan, Kaohsiung, and Kaohsiung Zhongzheng with services covering the entire country, and international insurance businesses. Continue to develop and expand the insurance market in Taiwan and initiate investments in the Mainland Chinese or overseas markets to provide annuity and retirement pension insurance markets. Use a highly professional and productive business team and excellent administrations department to keep providing products for every aspect and creative services, and generate long-term value for the insured, shareholders, and employees as well as contribute towards the society and national development.

(3) Pharmaceuticals

Statistics on sales performance (by region) of SCI Pharmtech in 2016

Unit: Thousand NT\$

Business areas		Year	2016	
			Sales volume	Percentage (%)
External sales	Europe		654,678	34.40
	Americas		767,614	40.33
	Asia		223,964	11.77
	Other		47,141	2.48
	Subtotal		1,693,397	88.98
Internal sales			209,703	11.02
Total			1,903,100	100

(4) Others

Product sales in the 3 most recent fiscal years were primarily achieved in the domestic market. In 2016, domestic sales revenue reached 99.12% of the entire year, while overseas sales, focusing largely in Mainland China and Southeast Asia, accounted for 0.88% of total sales. 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

Data from the Department of Statistics, Ministry of Economic Affairs, showed that sales volume from convenience store franchises, apparel and accessories retail, and food retail to be NT\$ 308,806,578,000, NT\$ 519,834,701,000, and NT\$ 439,409,072,000 respectively. In 2016, income from domestic sales of daily commodities and domestic food retail sales amounted to NT\$ 14,392,489,000 and NT\$ 3,931,780,000 respectively, figures that amounted to 1.74% and 0.89% of the retail market sizes of convenience store franchises and apparel and accessories retail respectively.

(2) Life insurance

Statistics from the Taiwan Insurance Institute (TII) on 25 insurance companies in Taiwan for premium income in 2016 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 2016

Unit: Hundred million NT\$

	Company name	2016			Company name	2016	
		Sum	%			Sum	%
1	Cathay Life Insurance (Note 1)	6,699	21.38	15	PCA Life Assurance (Note 3)	243	0.78
2	Nanshan Life Insurance	5,059	16.15	16	BNP Paribas Cardif TCB Life (Note 8)	236	0.75
3	Fubon Life Insurance (Note 2)	4,936	15.75	17	Hontai Life	196	0.63
4	Shin Kong Life Insurance	2,644	8.44	18	CHUBB (Note 12)	173	0.55
5	Taiwan Life	2,524	8.06	19	Prudential	164	0.52
6	China Life Insurance Company (Note 3)	1,911	6.10	20	Cigna Taiwan	2015	0.33
7	Chunghwa Post	1,462	4.66	21	AIA Group Insurance	75	0.24
8	Mercuries Life Insurance	1,420	4.53	22	First-Aviva (Note 8)	72	0.23
9	TransGlobe Insurance (Note 5)	960	3.06	23	Chaoyang Life (Note 9)	47	0.15
10	Farglory Life	616	1.97	24	ZURICH (Note 10)	0	0.00
11	Allianz (Note 4)	548	1.75	25	CTBC Bank (Note 11)	0	0.00
12	BNP Paribas Cardif	480	1.53	26			
13	BankTaiwan Life Insurance	411	1.31	27			
14	Yuanta Life (Note 7)	352	1.12	28			

Source: TII quick report on premium income

Note 1: Global Life and Sing for 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: HSBC Insurance was merged with Allianz in June 2013.

Note 5: Kuo Hwa Life was merged with TransGlobe Insurance in April 2013.

Note 6: 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 7: New York Life Insurance changed its name to Yuanta Life in February 2014.

Note 8: Aviva plc changed its name to First-Aviva in October 2009.

Note 9: Sinon Life changed its name to Chaoyang Life in September 2010.

Note 10: ZURICH re-established its Taiwanese operations in January 2009.

Note 11: CTBC Life Insurance and Taiwan Life Insurance merged in January 2016 to form Taiwan Life Insurance

Note 12: ACE Life changed its name to CHUBB in September 2016.

(3) Pharmaceuticals

- A. World leading manufacturer of 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

Statistics from the Banking Bureau of the Financial Supervisory Commission, Executive Yuan, showed that there are approximately 27,200 units of ATMs in Taiwan. ATMs provided by this Corporation account for 33.72% 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 undergone 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	2012	2013	2014	2015	2016
Thousand individuals	23,316	23,374	23,404	23,463	23,516
National income (million NT\$)	12,214,545	12,757,990	13,799,534	14,558,395	14,926,870
Number of effective contracts (thousand)	51,969	53,681	54,041	55,010	56,578
Effective contractual coverages (million NT\$)	39,985,230	41,061,271	41,338,590	42,054,222	43,182,644
Total premium (million NT\$)	2,478,337	2,583,532	2,771,130	2,926,677	3,133,357
Insurance coverage (Note)	222.89%	229.67%	230.91%	234.46%	240.59%
Prevalence (Note)	327.36%	321.85%	299.57%	288.87%	289.29%
Premium as a proportion of national income	20.29%	20.25%	20.08%	20.10%	20.99%
Economic growth	2.06%	2.20%	4.02%	0.72%	1.01%

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 2016 grew slightly compared to 2015 and demonstrated increasing trends. These observations indicated that demands for insurance products are increasing slowly amongst Taiwanese people. For the future supply and demand of the market, insurance companies have continued to release

creative new products following the loosening of legal restrictions and changes to the financial environment. In addition to traditional products, innovative products continue to be released for investment-based insurance to supply market demands. As the population structure continues to change and age, average public demand for health insurance and care service insurance will grow. Given the infinite potential and demands in insurance, excellent insurance products shall be designed at the proper opportunities to meet market demands and benefit both the insured and 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. From 2015 to 2020, average compound annual growth rate (CAGR) has exhibited a small increase. In 2018, the global pharmaceutical market is expected to be about US\$ 1.4 trillion. Currently, the largest market is in North America which comprises 40% of the entire market. Active pharmaceutical ingredients (API) are chemical ingredients with active pharmacological actions. The chemical structures of API must be compliant to the specifications provided in the pharmacopoeia. Pharmaceuticals are generally produced using APIs and an adjuvant. 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 2016 amounted to about US\$ 150 billion for a CAGR of about 6.3%, and is expected to reach nearly US\$ 205.5 billion by 2020. Operational strategies for this year as well as short-term and mid-term business plans shall focus on APIs, key intermediates, and other upstream products of the pharmaceutical industry. This Corporation shall 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

Integrated functions become increasingly important as computer products become increasingly complex and require mutual support between different systems. 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 demonstrate this requirement. As the economy continues to recover, public infrastructure projects will be expanded to drive internal demand. Overall market demands for computer system integration services are expected to grow rapidly. To provide customers with a safe and reliable computer system, this Corporation has established a total of 24 service locations throughout the country. Plans have been made 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 shall 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 replaceability 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 countries have started to pay greater attention to healthcare. Governments have established policies or passed laws to suppress the prices of pharmaceuticals to improve overall quality of healthcare. Such policies and legislations will lead to increased demands for generic drugs. API developers will 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

Governments around the world have established biotech and pharmaceutical production as a key focus of development, providing suppliers with rent reductions and other bonuses 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. Due to the limited scale of API companies in Taiwan and the limited capacity of the domestic market, the competitive niche offered in Taiwan is unable to compare to competitors from Mainland China or India. Taiwanese government also neglected 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. In 2016, the Taoyuan City Government issued an administrative order restricting API plant expansions to only Class D building land in general agricultural zones. This administrative order will affect future developments of current plant areas.

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.
- c. Continue to communicate with relevant government agencies to seek a solution.

(4) Others

A. Competitive niche and positive factors:

- a. This Corporation has more than 40 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. To improve software development capabilities, this Corporation passed recertification for CMMI Level 3 software development capabilities. During process improvement, processes of this Corporation's investee Nanjing Sanshang Computer Software Development Limited Company shall be integrated, shorten development cycle time, reduce costs, and improve customer satisfaction to ensure that this Corporation is able to establish a good foundation for software businesses in the Greater China Region.
- d. Customers are looking for the means of improving efficiency and lowering costs, leading to a growing demand for system integration at increasingly larger scales. Many projects will involve installation works throughout the entirety of Taiwan. A comprehensive service network in various areas (including remote islands) will provide accessible and quick services and improve customer reliance and confidence.
- e. The information service market is facing growing competition. Profitability of traditional software and hardware has been compressed and reduced due to the emergence of competitors claiming their respective market shares. Comprehensive solution, excellent post-sales services, and other professional services can be provided to improve customer reliance and confidence. Total Solution professional services will support sales of IT products and lead system integration services.
- f. Certifications to standards such as ISO 9001:2008, CMMI Level III, and ISO 27001 have been acquired. Capabilities in quality control and enforcement have been certified to international standards, and the ability in handling large-scale system integration projects has been widely recognized.
- g. Completion of large-scale integration projects provide additional experiences in the actual practice of system integration.

h. Once the warranty period expires for large-scale integration and setup projects, this Corporation shall secure favorable positions in securing contracts for subsequent maintenance and repairs to improve revenue and profitability through the provision of maintenance services.

B. Disadvantages

- a. Changes to the machine models of automated financial systems will increase 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 convenient 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 (including 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. 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

Primary focuses include 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 will not involve any production process.

2. 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

Type of insurance	Product introduction	Major use or function
		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. Products being prepared for sales (investment-linked insurance policies linked with overseas structured product): 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 were commissioned or targeted for sales, the distributor or general representative shall provide a public announcement at least 2 business days before actual sales in compliance with the relevant regulations.

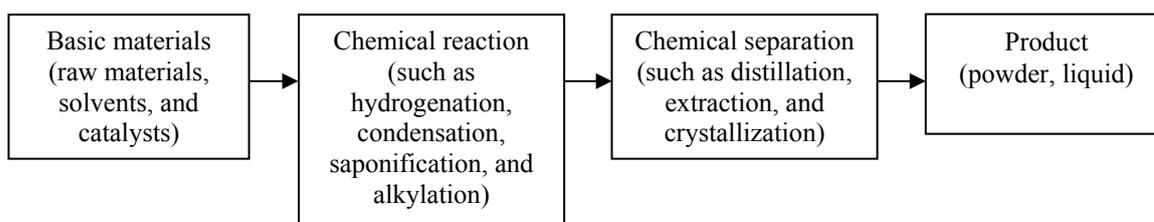
3. Pharmaceuticals

(1) Major uses of the primary products:

	Name of the major product	Primary purpose
APIs	VA	Antiepileptic and anticonvulsant
	Di-VANa	Antiepileptic and anticonvulsant
	.	.
	(skipped)	(skipped)
API intermediate	Atomoxetine	Anti-ADHD
	Pent-2	Anesthetics
	PGA	Antiparkinson medication
	.	.
	(skipped)	(skipped)
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

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 is considered an IT service provider in this sector and therefore has no production process.

(3) Supply of primary raw materials:

1. Retail of daily commodities and food

This Corporation is classified as an integrated service provider. There are no shortages in the supply of daily commodities and raw materials for the food service sector (such as flour, meat, and cheese).

2. 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 and Tiande (Binhai)	Good
Allyl chloride	Mitsubishi and Qingtai (DAISO)	Good
Sodium ethoxide	Nantong (Fangyou)	Good
Sodium	DuPont, Nisso Shoji (MSSA)	Good
Triethyl orthoformate	Nantong (Chengxin) and Linshu Huasheng	Good
Bromoethane	Weifang Longwei and Nantong Longsheng	Good
Methyl propyl ketone (MPK)	Eastman	Good
Ethyl cyanoacetate	Nantong Chengxin and Tiande (Weifang)	Good
AEHPA	Nansong	Good
DCQ	Nantong (Linyang Qingfeng)	Excellent

4. Others

Name	Major source	State of supply
Automated financial services: Automatic teller system (ATM)	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\$

Item	2015				2016				1st quarter of 2017			
	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	Taiwan Tobacco and alcohol	1,054,201	9.76	None	Taiwan Tobacco and alcohol	1,216,597	10.69	None	Other	2,844,835	100.00	None
	Other	9,743,118	90.24		Other	10,168,287	89.31					
	Net purchasing	10,797,319	100.00		Receiving purchasing	11,384,884	100.00		Receiving purchasing	2,844,835	100.00	

(3) Reason for changes: This Corporation operates as a retailer and distributor with extremely distributed purchasing. Given the popular sales of Taiwan Beer and tobacco products, net procurement of these products account for over 10% of total purchases throughout the year.

2. Insurance

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

3. Pharmaceuticals

(1) Primary customers

Unit: Thousand NT\$

Item	2015				2016				1st quarter of 2017			
	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	284,614	15.72	None	Customer B	273,337	14.36	None	Customer E	50,671	15.42	None
2	Other	1,525,887	84.28	None	Customer C	220,324	11.58	None	Customer D	43,777	13.32	None
3					Customer A	207,987	10.93	None	Customer F	33,081	10.07	None
4					Customer D	193,437	10.16	None	Other	201,020	61.19	None
5					Other	1,008,015	52.97	None				
	Net sales	1,810,501	100		Net sales	1,903,100	100		Net sales	328,549	100.00	

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:

New customers B, C, and D in 2016 purchased large volumes of HOCLQ.

For the first quarter of 2017, a number of clients that have purchased HOCLQ still have remaining stocks of the product, leading to a certain change in ranking. New customers E and F, on the other hand, purchased LPF.Na and Dulox.HCl respectively.

(3) Primary goods supplier

Unit: Thousand NT\$

Item	2015				2016				2016 (up to the first quarter)			
	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	165,283	22.84	None	Nantong	148,183	25.86	None	Nantong	18,140	10.47	None
2	Nansong	76,560	10.58	None	Nansong	72,418	12.64	None	Other	155,155	89.53	None
3	Other	481,951	66.58	None	Other	352,343	61.50	None				
	Net purchasing	723,794	100.00		Net purchasing	572,944	100.00		Net purchasing	173,295	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.

4. Others

Information of major customers for the 2 most recent years

Unit: Thousand NT\$

Item	2015				2016				1st quarter of 2017			
	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	349,454	15.44	None	Customer A	483,613	17.93	None	Customer A	237,055	39.68	None
2	Customer B	273,029	12.06	None	Customer B	0	0	None	Customer B	0	0	None
3	Other	1,640,565	72.50	-	Other	2,213,328	82.07	-	Other	360,297	60.32	-
	Net sales	2,263,048	100.00		Net sales	2,696,941	100.00		Net sales	597,352	100.00	

Information of major suppliers in the 2 most recent years

Unit: Thousand NT\$

Item	2015				2016				1st quarter of 2017			
	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.	507,127	32.45	None	Hitachi-Omron Terminal Solutions, Corp.	703,153	34.96	None	Hitachi-Omron Terminal Solutions, Corp.	280,388	57.76	None
	Other	1,055,469	67.55	-	Other	1,308,161	65.04	-	Other	205,044	42.24	-
	Net procurement	1,562,596	100.00		Net procurement	2,011,314	100.00		Net procurement	485,432	100.00	

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. 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\$

Year Production Volume Primary commodity Value (or department)	2015			2016		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
APIs	3,700	464	561,095	3,700	326	588,580
API intermediate		439	472,440		374	338,744
Other		800	80,023		874	107,079
Total	3,700	1,703	1,113,558	3,700	1,574	1,034,403

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 were 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

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\$

Year Primary commodity	Total sales value in 2015	Total sales value in 2016
Retail of daily commodities and food	17,206,973	18,324,269

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) Insurance

Unit: Thousand NT\$ / policy / individual

Type of insurance	2015		2016	
	Number of insurance	Total premium	Number of insurance	Total premium
Life insurance	3,057,530	90,583,420	3,190,237	92,583,410
Health insurance	7,950,533	29,901,912	8,343,817	34,119,388
Accident	3,096,175	2,979,830	3,238,562	3,110,263
Annuity insurance	67,017	295,913	55,772	299,337
Universal	30,964	894,087	28,812	762,703
Investment	287,382	1,507,786	259,358	1,372,467
Group insurance	4,111,258	2,238,586	3,979,743	2,260,620
Total	18,600,859	128,401,534	19,096,301	134,508,188

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

(3) Pharmaceuticals

Unit: Ton / Unit: thousand NTS

Primary commodity (or department)	Year		2015				2016			
	Sales Volume		Internal sales		External sales		Internal sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
APIs	33.75	52,500	356.98	928,865	42.92	70,039	287.14	1,145,195		
API intermediate	48.00	6,584	339.01	710,718	96.00	12,672	356.55	548,202		
Other	1,016.13	111,564	0	0	1,041.29	126,992	0	0		
Total	1,097.88	170,918	695.99	1,639,583	1,180.21	209,703	643.69	1,693,397		

(4) Others

Unit: Thousand NTS

Primary commodity (or department)	Year		2015				2016			
	Sales Value		Internal sales		External sales		Internal sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
Automated financial service machines	2,222	801,059			2,937	1,017,645				
System integration services		798,427				991,701				
Maintenance and repairs		575,333				577,465				
Other		46,699		41,530		86,312		23,818		
Total	2,222	2,221,518		41,530	2,937	2,673,123		23,818		

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

April 30, 2017

Major investees	Item \ Year		2015	2016	For the current year up to April 30, 2017 (Note)
Retail of daily commodities and food	Number of employees	General employees	3,625	4,192	4,164
		Hourly employees	2,797	2,937	3,095
		Total	6,422	7,129	7,259
	Average age		28.44	28.46	28.77
	Average work tenure		2.73	2.75	2.71
	Distribution of academic backgrounds	PhD	0	0	0
		Masters	0.76%	0.80%	0.77%
		University / college	41.93%	44.65%	44.89%
		High school diploma	39.50%	43.41%	43.04%
Below high school		17.81%	11.14%	11.30%	
Insurance	Number of employees	Internal staff	1,548	1,604	1,600
		Field staff	18,885	18,716	18,090
		Total	20,433	20,320	19,690
	Average age		34.59	35.4	35.73
	Average work tenure		5.78	6.26	6.62
	Distribution of academic backgrounds	PhD	0.01%	0.01%	0.01%
		Masters	5.09%	5.39%	5.42%
		University / college	71.23%	71.47%	71.76%
		High school diploma	23.14%	22.59%	22.35%
Below high school		0.53%	0.54%	0.46%	
Pharmaceuticals	Number of employees	Managerial level or	10	11	11
		General employees	211	229	231
		Total	221	240	242
	Average age		37.88	38.27	38.48
	Average work tenure		7.92	8.17	8.31
	Distribution of academic backgrounds	PhD	3.62%	4.17%	4.13%
		Masters	12.67%	14.17%	14.46%
		University (or college)	54.75%	51.67%	51.24%
		Senior or vocational	12.67%	13.33%	13.64%
Below high school		16.29%	16.66%	16.53%	
Other	Number of employees	Sales staff	42	42	42
		Hardware services	277	249	259
		Software services	154	155	159
		Administrative staff	107	160	168
		Total	580	606	628
	Average age		38.9	39.3	39
	Average work tenure		8.3	8.4	8.1
	Distribution of academic backgrounds	PhD	0.2%	0.3%	0.3%
		Masters	8.4%	7.4%	7.6%
University / college		89.5%	90.5%	90%	
High school diploma		1.9%	1.8%	2.1%	
Below high school		0	0	0	

Note: For pharmaceuticals, the information is acquired on March 31, 2017; for other industries, the information is acquired on May 15, 2017.

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 undergone anti-contamination treatments. A subcontracting fee amounting to NT\$ 2,360,000 is paid to vendors every year to handle wastes produced by the stores.

(2) Insurance

No compensation or penalties for losses caused by environmental pollution. When selecting suppliers, this Corporation focuses on pollution-free suppliers with measures that protect the ecology and the environment. When commissioning construction, wastes are properly processed according to contractual terms. This Corporation also evaluates any negative environmental impacts when carrying out regular audits of the suppliers.

(3) Pharmaceuticals

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) Statuses 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 H4738-04
Boiler and steam generating processes M02	<i>Fu-Huan-Kong-Tzu</i> Document No. 0980001789, permit number for operations H4714-03
Hating processes M03	<i>Fu-Huan-Kong-Tzu</i> Document No. 0980001791, permit

	number for operations H4715-03
Drug manufacturing / general manufacturing processes M04	<i>Fu-Huan-Kong-Tzu</i> Document No. 1050059541, permit number for operations H5777-01

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 2016, air pollution prevention fees paid amounted to NT\$ 786,219,000. Subcontracted processing amounted to NT\$ 63,599,828, while internal processing expenses amounted to NT\$ 20,989,463.

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

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

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 2016, a total of 54,515 individuals participated in preliminary training and on-job training held within and outside this Corporation. Total training expenses amounted to NT\$ 27,578,000.

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 is no major employee-employer dispute since our founding. Nevertheless, this Corporation shall 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 the 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. Material 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	CTBC Bank	December 2016 to December 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Hua Nan Bank	November 2016 to November 2019	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Ta Chong Commercial Bank	November 2016 to November 2018	Long-term loan to support operation capital and improve financial structure	Note 2
Loan contract	KGI Bank	October 2016 to October 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Bank SinoPac	September 2016 to September 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	E. Sun Commercial Bank	September 2016 to September 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	O-Bank	June 2016 to June 2019	Long-term loan to support operation capital and improve financial structure	None
Loan contract	JihSun Bank	June 2016 to June 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	The Bank of East Asia	March 2017 to March 2019	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taipei Fubon Bank	January 2016 to January 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Far Eastern International Bank	February 2017 to February 2019	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	First Bank	December 2015 to December 2019	Long-term loan to support operation capital and improve financial structure	None
Loan contract	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	Land Bank of Taiwan	November 2015 to November 2018	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taiwan Business Bank	March 2017 to March 2019	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	O-Bank and 9 other banks participating in the syndicated loan	December 2013 to December 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

Note 1: Syndicated loans based upon long-term credit would be syndicated bank loans jointly provided by Taishin International Bank, O-Bank, 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 Summary

1. Five-year financial summary

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

1. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: Thousand NT\$

Year	Financial Summary for The Last Five Years					From this year to Financial information of March 31, 2017 (Note 1)	
Item	2012	2013	2014	2015	2016		
Current assets	142,420,925	141,927,020	149,122,046	165,333,265	149,832,739	120,720,359	
Property, plant, and equipment (PP&E) (Note 2)	9,400,939	12,491,573	13,927,351	14,629,851	15,400,800	15,287,790	
Intangible assets	75,742	68,844	66,112	68,257	61,612	62,488	
Other assets	461,023,579	563,033,471	656,676,636	699,047,326	803,493,776	850,614,071	
Total assets	612,921,185	717,520,908	819,792,145	879,078,699	968,788,927	986,684,708	
Current liabilities	Before distribution	13,247,790	11,628,804	17,551,579	11,509,108	13,941,747	12,964,000
	After distribution	13,878,523	12,105,772	17,960,400	11,917,912 (Note 3)	14,442,526	--
Non-current liabilities	573,236,063	682,329,873	774,415,265	838,889,481	921,284,469	940,177,091	
Total liabilities	Before distribution	586,483,853	693,958,677	791,966,844	850,398,589	935,226,216	953,141,091
	After distribution	587,114,586	694,435,645	792,375,665	850,807,393	935,726,995 (Note 3)	--
Equity attributable to shareholders of the parent	12,160,945	10,383,316	11,940,103	11,593,981	14,119,373	14,131,587	
Capital stock	6,307,332	6,813,829	6,813,689	6,813,409	7,153,989	7,153,979	
Capital surplus	664,320	872,118	897,836	965,886	1,032,182	1,035,580	
Retained earnings	Before distribution	4,957,164	4,832,629	5,482,195	6,449,865	7,816,486	7,227,049
	After distribution	3,821,844	4,355,661	5,073,374	5,700,391	6,814,928 (Note 3)	--
Other equity interest	764,801	(1,602,588)	(720,945)	(2,102,507)	(1,350,612)	(752,349)	
Treasury stock	(532,672)	(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	19,443,338	19,412,030	
Total equity	Before distribution	26,437,332	23,562,231	27,825,301	28,680,110	33,562,711	33,543,617
	After distribution	25,806,599	23,085,263	27,416,480	28,271,306	33,061,932 (Note 3)	--

Note 1: The consolidated financial statement for 1st quarter of 2017 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 2016 have yet to be ratified by the stockholder's meeting.

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

Unit: Thousand NT\$

Year Item	Financial Summary for The Last Five Years					From this year to Financial information of March 31, 2017 (Note 1)
	2012	2013	2014	2015	2016	
Operating revenue	150,829,775	173,585,978	186,759,179	192,967,661	205,368,649	77,542,033
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	3,770,725	(1,024,836)
Income from operations of continued segments - after tax	1,191,591	1,842,445	2,634,762	3,133,276	3,616,744	(1,208,770)
Income from discontinued operations	--	--	--	--	--	--
Net income (Loss)	1,191,591	1,842,445	2,634,762	3,133,276	3,616,744	(1,208,770)
Other comprehensive income (income after tax)	8,451,039	(5,364,207)	1,419,865	(3,051,527)	1,533,820	1,181,550
Total comprehensive income	9,642,630	(3,521,762)	4,054,627	81,749	5,150,564	(27,220)
Net income attributable to shareholders of the parent	1,006,494	918,884	1,259,900	1,474,715	2,049,513	(589,437)
Net income attributable to non-controlling interest	185,097	923,561	1,374,862	1,658,561	1,567,231	(619,333)
Comprehensive income attributable to Shareholders of the parent	4,961,725	(1,388,855)	2,003,571	(7,267)	2,866,570	8,522
Comprehensive income attributable to non-controlling interest	4,680,905	(2,132,907)	2,051,056	89,016	2,283,994	(35,742)
Earnings per share	1.49	1.36	1.87	2.19	3.04	(0.87)

Note 1: The consolidated financial statement for the 1st quarter of 2017 has been reviewed by CPA.

(2) Consolidated Condensed Balance Sheet and Condensed Statement of Income
 - Based on ROC GAAP

1. Consolidated Condensed Balance Sheet – Based on ROC GAAP

Unit: Thousand NT\$

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Current assets		89,555,935				
Funds and investments		398,135,640				
Fixed assets (Note 1)		10,452,882				
Intangible assets		73,836				
Other assets		113,043,090				
Total assets		611,261,383				
Current liabilities	Before distribution	13,299,478				
	After distribution	13,930,211				
Long-term liabilities		9,892,474				
Other liabilities		562,249,542				
Total liabilities	Before distribution	585,441,494				Not applicable
	After distribution	586,072,227				
Capital stock		6,307,332				
Capital surplus		500,641				
Retained earnings	Before distribution	5,071,427				
	After distribution	3,936,107				
Unrealized gain or loss on financial instruments		602,277				
Cumulative translation adjustments		48,906				
Net loss unrecognized as pension cost		(259,145)				
Total equity	Before distribution	25,819,889				
	After distribution	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

Unit: Thousand NT\$

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Operating revenue		151,203,478				
Gross profit		--				
Income from operations		--				
Non-operating income and benefits		--				
Non-operating expenses and loss		--				
Income before tax		1,516,613				
Income from operations of continued segments - after tax		1,386,509				
Income from discontinued operations		--				
Extraordinary gain or loss items		--				
Cumulative effect of accounting principle changes		--				
Net income		1,386,509				
Earnings per share		2.04				

Not applicable

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

1. Individual Condensed Balance Sheet – Based on IFRS

Unit: Thousand NT\$

Item		Year	Financial Summary for The Last Five Years				
			2012	2013	2014	2015	2016
Current assets			2,610,111	2,275,875	2,627,287	387,184	252,171
Property, plant, and equipment (PP&E) (Note 1)			1,974,700	2,514,379	2,411,289	392,983	414,256
Intangible assets			6,987	8,022	6,045	--	--
Other assets			16,995,375	15,893,917	18,135,670	19,346,630	21,819,613
Total assets			21,587,173	20,692,193	23,180,291	20,126,797	22,486,040
Current liabilities	Before distribution		2,368,158	2,248,170	2,089,064	219,479	94,626
	After distribution		2,998,891	2,725,138	2,497,885	628,283	595,405 (Note 2)
Non-current liabilities			7,058,070	8,060,707	9,151,124	8,313,337	8,272,041
Total liabilities	Before distribution		9,426,228	10,308,877	11,240,188	8,532,816	8,366,667
	After distribution		10,056,961	10,785,845	11,649,009	8,941,620	8,867,446 (Note 2)
Capital stock			6,307,332	6,813,829	6,813,689	6,813,409	7,153,989
Capital surplus			664,320	872,118	897,836	965,886	1,032,182
Retained earnings	Before distribution		4,957,164	4,832,629	5,482,195	6,449,865	7,816,486
	After distribution		3,821,844	4,355,661	5,073,374	5,700,391	6,814,928 (Note 2)
Other equity interest			764,801	(1,602,588)	(720,945)	(2,102,507)	(1,350,612)
Treasury stock			(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Total equity	Before distribution		12,160,945	10,383,316	11,940,103	11,593,981	14,119,373
	After distribution		11,530,212	9,906,348	11,531,282	11,185,177	13,618,594 (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 2016 have yet to be ratified by the stockholder's meeting

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

Unit: Thousand NT\$

Item	Financial Summary for The Last Five Years				
	2012	2013	2014	2015	2016
Operating revenue	11,501,937	12,604,646	14,614,261	1,907,589	2,354,851
Gross profit	3,745,703	4,145,149	5,643,562	1,874,935	2,301,870
Income from operations	142,910	133,740	1,379,322	1,720,117	2,154,290
Non-operating income and expenses	906,829	895,063	(119,422)	(92,360)	(105,295)
Income before tax	1,049,739	1,028,803	1,259,900	1,627,757	2,048,995
Income from operations of continued segments - after tax	1,006,494	918,884	1,259,900	1,474,715	2,049,513
Income from discontinued operations operations	--	--	--	--	--
Net income (Loss)	1,006,494	918,884	1,259,900	1,474,715	2,049,513
Other comprehensive income (income after tax)	3,955,231	(2,307,739)	743,672	(1,481,982)	817,056
Total comprehensive income in this period	4,961,725	(1,388,855)	2,003,572	(7,267)	2,866,569
Net income attributable to shareholders of the parent	1,006,494	918,884	1,259,900	1,474,715	2,049,513
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)	2,866,569
Comprehensive income attributable to non-controlling interest	--	--	--	--	--
Earnings per share	1.49	1.36	1.87	2.19	3.04

(4) Individual Condensed Balance Sheet and Condensed Statement of Income

- Based on ROC GAAP

1. Individual Condensed Balance Sheet –Based on ROC GAAP

Unit: Thousand NT\$

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Current assets		2,610,111				
Funds and investments		15,205,281				
Fixed assets (Note 1)		3,016,936				
Intangible assets		--				
Other assets		313,497				
Total assets		21,145,825				
Current liabilities	Before distribution	2,361,463				
	After distribution	2,992,196				
Long-term liabilities		6,962,462				
Other liabilities		74,338				
Total liabilities	Before distribution	9,398,263				Not applicable
	After distribution	10,028,996				
Capital stock		6,307,332				
Capital surplus		500,641				
Retained earnings	Before distribution	5,071,427				
	After distribution	3,936,107				
Unrealized gain or loss on financial instruments		602,277				
Cumulative translation adjustments		48,906				
Net loss unrecognized as pension cost		(259,145)				
Total equity	Before distribution	11,747,562				
	After distribution	11,116,829				

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. Individual Condensed Statement of Income –Based on ROC GAAP

Unit: Thousand NT\$

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Operating revenue		11,505,207				
Gross profit		3,748,974				
Income from operations		144,848				
Non-operating income and benefits		1,290,538				
Non-operating expenses and loss		(180,158)				
Continuing operations pre-tax gain (loss)		1,255,228				
Gain (loss) of continuing operations		1,211,627				
Gain (loss) of discontinued operations		--				
Gain (loss) of extraordinary items		--				
Cumulative effect of changes in accounting principles		--				
Gain (loss) during this period		1,211,627				
Earnings per share		2.04				

Not applicable

(5) Names of the CPAs for the 5 most recent fiscal years and audit opinions

Year	Accounting firm	Name of the CPA	Audit opinions	Details
2016	BDO Taiwan	Ke-yi Liu and Kun-hsi Hsu	Unqualified opinion	-
2015	BDO Taiwan	Ke-yi Liu and Kun-hsi Hsu	Revised and unqualified opinions	-
2014	BDO Taiwan	Kun-hsi Hsu and Shu-cheng Chang	Revised and unqualified opinions	-
2013	BDO Taiwan	Kun-hsi Hsu and Shu-cheng Chang	Revised and unqualified opinions	-
2012	BDO Taiwan	Ke-yi Liu and Shu-cheng Chang	Revised and unqualified opinions	-

2. Five-Year Financial Analysis

(1) Consolidated Financial Analysis – Based on IFRS

Item analyzed (Note 2)		Financial analysis for the last five years					From this year to March 31, 2017 (Note 1)
		2012	2013	2014	2015	2016	
Financial structure (%)	Debt Ratio	95.69	96.72	96.61	96.74	96.54	96.60
	Ratio of long-term capital to property, plant and equipment	6,378.87	5,650.30	5,760.18	5,930.13	6,199.98	6,369.27
Solvency (%)	Current ratio	1,075.05	1,220.45	849.62	1,436.54	1,074.71	931.20
	Quick ratio	1,047.87	1,189.34	828.68	1,401.68	1,042.83	894.42
	Interest earned ratio (times)	1,214.06	1,518.63	1,880.73	2,761.79	2,589.88	(2,913.16)
Operation performance	Accounts receivable turnover (times)	72.20	91.74	101.21	107.41	116.24	186.26
	Average collection period	5.06	3.98	3.61	3.40	3.14	1.96
	Inventory turnover (times)	3.14	3.03	3.30	3.50	3.43	3.21
	Accounts payable turnover (times)	4.60	4.80	5.46	6.42	6.37	5.99
	Average days in sales	116.28	120.46	110.61	104.29	106.41	113.71
	Property, plant, and equipment turnover (times)	16.20	15.86	14.14	13.51	13.68	20.21
	Total asset turnover(times)	0.27	0.26	0.24	0.23	0.22	0.32
Profitability	Return on total assets (%)	0.23	0.29	0.36	0.38	0.41	(0.48)
	Return on stockholders' equity (%)	6.03	7.37	10.25	11.09	11.62	(14.41)
	Pre-tax income to paid-in capital (%)	20.86	28.08	39.06	61.90	52.71	(57.30)
	Profit ratio (%)	0.79	1.06	1.41	1.62	1.76	(1.56)
	Earnings per share (NT\$)	1.49	1.36	1.87	2.19	3.04	(0.87)
Cash flow	Cash flow ratio (%)	597.39	817.66	411.26	426.73	675.21	194.51
	Cash flow adequacy ratio (%)	803.48	682.14	618.69	564.91	692.48	703.77
	Cash reinvestment ratio (%)	13.06	13.29	8.88	5.55	9.76	2.57
Leverage	Operating leverage (DOL)	(32.48)	(34.85)	(38.47)	(38.20)	(39.29)	(64.08)
	Financial leverage (DFL)	0.97	0.97	0.97	0.96	0.97	0.97

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

- Decreases in current and quick ratios: Primarily attributed to higher withdrawal and deposits of reserves for annual liabilities for long-term life insurance and health and accident insurance.
- Increase in earnings per share: Primarily attributed to increase in net profit in 2016.
- Increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Primarily attributed to increases in losses that do not affect cash flow, leading to an increase in cash flow from business activities in this fiscal period compared to the previous fiscal period.

Note 1: The consolidated financial statement for the 1st quarter of 2017 has been reviewed by CPA.

Note 2: Calculation formulas are provided below.

(2) Consolidated Financial Analysis – Based on ROC GAAP

Item analyzed (Note 1)		Year	Financial analysis for the last five years				
			2012	2013	2014	2015	2016
Financial structure (%)	Debt Ratio		95.78				
	Ratio of long-term capital to fixed assets		341.65				
Solvency (%)	Current ratio		673.38				
	Quick ratio		646.30				
	Interest earned ratio (times)		1,389.00				
Operating performance	Accounts receivable turnover (times)		73.55				
	Average collection period		4.96				
	Inventory turnover (times)		3.14				
	Accounts payable turnover (times)		3.49				
	Average days in sales		116.24				
	Fixed asset turnover (times)		14.47				
	Total asset turnover (times)		0.25				
Profitability	Return on total assets (%)		0.26				
	Return on shareholders' equity (%)		7.26				
	Ratio to issued capital (%)	Operating income		(70.34)			
		Pre-tax income		24.05			
	Profit ratio (%)		0.92				
	Earnings per share (NT\$)		2.04				
Leverage	Cash flow ratio (%)		563.21				
	Financial leverage (DFL)		0.97				
Not applicable							
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
No data can be offered for comparison, and therefore no cause for the change can be attributed.							

Note 1: Calculation formulas are provided below.

(3) Individual Financial Analysis – Based on IFRS

Item analyzed (Note 1)		Financial analysis for the last five years				
		2012	2013	2014	2015	2016
Financial structure (%)	Debt Ratio	43.67	49.82	48.49	42.40	37.21
	Ratio of long-term capital to property, plant and equipment	973.26	733.54	874.69	5,065.69	5,405.21
Solvency (%)	Current ratio	110.22	101.23	125.76	176.41	266.49
	Quick ratio	36.33	28.41	46.31	176.08	266.18
	Interest earned ratio (times)	1,108.73	897.21	1,006.21	1,424.18	1,783.93
Operating performance	Accounts receivable turnover (times)	84.50	77.63	89.96	22.30	86.02
	Average collection period	4.32	4.70	4.06	16.37	4.24
	Inventory turnover (times)	3.79	4.11	4.56	0.03	--
	Accounts payable turnover (times)	5.06	5.76	6.47	0.05	445.22
	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	5.83
	Total asset turnover (times)	0.60	0.60	0.67	0.09	0.11
Profitability	Return on total assets (%)	5.73	4.85	6.27	7.38	10.19
	Return on stockholders' equity (%)	10.39	8.15	11.29	12.53	15.94
	Pre-tax income to paid-in capital (%)	16.64	15.10	18.49	23.89	28.64
	Profit ratio (%)	8.75	7.29	8.62	77.31	87.03
	Earnings per share (NT\$)	1.49	1.36	1.87	2.19	3.04
Cash flow	Cash flow ratio (%)	18.14	12.98	36.99	6.18	178.09
	Cash flow adequacy ratio (%)	29.66	27.24	31.15	33.95	27.48
	Cash reinvestment ratio (%)	0.93	(1.73)	1.33	(1.97)	(1.07)
Leverage	Operating leverage (DOL)	1.00	1.00	1.00	1.00	1.00
	Financial leverage (DFL)	3.68	28.52	1.11	1.08	1.06

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

1. Increases in current ratio, quick ratio, and Interest earned ratio (times): Primarily attributed to a reduction in income tax liabilities in 2016.
2. For ratios related to operating performance, significant differences in financial ratios between 2015 and 2016 were attributed to the fact that this Company was transformed into an investment holding company on January 1, 2015, with all affiliated retail businesses ceded to the newly established MERCURIES & ASSOCIATES, LTD. Therefore, the individual financial statement of this Corporation would not contain any major fixed assets or inventories. Financial ratios for the said two years will be less substantial.
3. Increases in asset return total ratio, return on stockholders' equity, pre-tax income to paid-in capital, earnings per share, cash flow ratio, and cash reinvestment ratio: Primarily attributed to increase in net profit in 2016.

Note 1: Calculation formulas are provided below.

(4) Individual Financial Analysis -Based on ROC GAAP

Item analyzed (Note 1)		Year					
		Financial analysis for the last five years					
		2012	2013	2014	2015	2016	
Financial structure (%)	Debt Ratio	44.44					
	Ratio of long-term capital to fixed assets	620.16					
Solvency (%)	Current ratio	110.52					
	Quick ratio	36.43					
	Interest earned ratio (times)	1,310.60					
Operating performance	Accounts receivable turnover (times)	84.52					
	Average collection period	4.31					
	Inventory turnover (times)	3.78					
	Accounts payable turnover (times)	4.73					
	Average days in sales	96.56					
	Fixed asset turnover (times)	3.81					
	Total asset turnover (times)	0.54					
Profitability	Return on total assets (%)	6.96					
	Return on shareholders' equity (%)	13.11					
	Ratio to issued capital (%)	Operating income	2.29				
		Pre-tax income	19.90				
	Profit ratio (%)	10.53					
	Earnings per share (NT\$)	2.04					
Cash flow	Cash flow ratio (%)	18.19					
	Cash flow adequacy ratio (%)	29.55					
	Cash reinvestment ratio (%)	0.94					
Leverage	Operating leverage (DOL)	25.06					
	Financial leverage (DFL)	3.51					
Not applicable							
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
No data can be offered for comparison, and therefore no cause for the change can be attributed.							

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 = 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 incom / Average total equity

(3) Profit ratio = Net incom / Net sales

(4) Earnings per share (EPS) = (Net incom - 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 2016 Final Report for the commissioned task of auditing the MERCURIES & ASSOCIATES, HOLDING LTD., which include the asset balance sheet of December 31, 2016, 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 2016, have been reviewed by CPAs using generally accepted auditing standards (GAAS) as well as the required auditing procedures.

The opinions of this CPA state that the aforementioned financial statements have been prepared according to the *Regulations Governing the Preparation of Financial Reports by Securities Issuers* as well as International Financial Reporting Standards (IFRS) as well as Financial Supervisory Commission (FSC) approved, issued, and effective international accounting standards as well as the interpretations and announcements thereof. 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, 2016, as well as changes to financial performance and cash flow in 2016 as of December 31, 2016. 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
(Formerly MERCURIES & ASSOCIATES, LTD)

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

BDO Taiwan

CPA

張書成



March 31, 2017

Mercuries & Associates Holding, LTD.
(Formerly 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 2016 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,

2017 annual shareholders' meeting of this Corporation

Supervisor: Shuren Touzi Co., Ltd.

Representative: 

Supervisor: 

April 30, 2017

4. Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report

Please refer to page 91 of the Chinese annual report.

5. Individual Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors Report

Please refer to page 248 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\$

Year Item	2016	2015	Difference	Proportion of change %	Notes
Current assets	149,832,739	165,333,265	(15,500,526)	(9.38%)	
Property, plant, and equipment	15,400,800	14,629,851	770,949	5.27%	
Intangible assets	61,612	68,257	(6,645)	(9.74%)	
Other assets	803,493,776	699,047,326	104,446,450	14.94%	
Total assets	968,788,927	879,078,699	89,710,228	10.21%	
Current liabilities	13,941,747	11,509,108	2,432,639	21.14%	1
Non-current liabilities	921,284,469	838,889,481	82,394,988	9.82%	
Total liabilities	935,226,216	850,398,589	84,827,627	9.98%	
Capital stock	7,153,989	6,813,409	340,580	5.00%	
Capital surplus	1,032,182	965,886	66,296	6.86%	
Retained earnings	7,816,486	6,449,865	1,366,621	21.19%	2
Other equity interest	(1,350,612)	(2,102,507)	751,895	(35.76%)	3
Treasury stock	(532,672)	(532,672)	0	0.00%	
Non-controlling interest	19,443,338	17,086,129	2,357,209	13.80%	
Total equity	33,562,711	28,680,110	4,882,601	17.02%	
<p>Analysis of the proportion of change: (analysis would not be required if the change is within 20%).</p> <ol style="list-style-type: none"> Increase in current liabilities: Primarily attributed to increases in commission payable and other payables for 2016. Increase in retained earnings: Primarily attributed to an increase in net profit for 2016. Increase in Other equity interest: Primarily attributed to a reduction of unrealized loss on available-for-sale financial assets for 2016. 					

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	2016	2015	Sum of the gain (loss)	Proportion of change (%)	Item analyzed
Total operating revenue	205,368,649	192,967,661	12,400,988	6.43%	
Total operating cost	(201,597,924)	(188,750,328)	(12,847,596)	6.81%	
Profit(loss) before tax from continuing operations	3,770,725	4,217,333	(446,608)	(10.59%)	
Income tax	(153,981)	(1,084,057)	930,076	(85.80%)	1
Net Profit(loss) from continuing operations	3,616,744	3,133,276	483,468	15.43%	
<p>Analysis of the proportion of change: (analysis would not be required if the change is within 20%).</p> <ol style="list-style-type: none"> Decrease in income tax: Primarily attributed to deferred income tax-based benefits of Mercuries Life Insurance in 2016. 					

3. Analysis of Cash flow

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

Items	Years		Proportion of change %
	December 31, 2016	December 31, 2015	
Cash flow ratio %	675.21%	426.73%	58.23%
Cash flow adequacy ratio %	692.48%	546.91%	26.62%
Cash reinvestment ratio %	9.76%	5.55%	75.86%
Analysis of the proportion of change: (analysis would not be required if the change is within 20%). 1. Increases in cash flow ratio and cash flow adequacy ratio: Primarily attributed to an increase in net cash generated from operating activities in 2016. 2. Increases to cash reinvestment ratio: Primarily attributed to an increase in net cash generated from operating activities in 2016, and reduction in cash dividends paid.			

(2) Analysis of cash liquidity in 2016:

Unit: Thousand NT\$

Cash at beginning of year ^①	Cash flows from operating activities for the entire year ^②	Cash outflow for the entire year ^③	Sum of cash surplus (inadequacy) ①+②-③	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
78,331,686	94,136,763	113,980,980	58,487,469	-	-
1. Analysis of changes to cash flow for this year: (1) Operating activities: Increase in net cash generated from income and expenses having no effect on cash flows has led to an increase in net cash generated from operating activities in 2016. (2) Investing activities: Increase in investments of debt-related tools acquired by Mercuries Life Insurance (MLI) during this fiscal period has led to an increase in net cash used in investing activities in 2016. (3) Financing activities: MLI has issued corporate bonds and redeemed debt-based special shares during this fiscal period has led to a decrease in net cash generated from financing activities in 2016. 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\$

Cash at beginning of year ^①	Expected cash flows from operating activities for the entire year ^②	Expected cash outflow for the entire year ^③	Expected sum of cash surplus (or inadequacy) ①+②-③	Remedial measures for expected cash inadequacy	
				Investment plan	Financing plan
58,487,469	114,618,561	139,617,843	33,488,187	-	-
1. Analysis of changes to annual cash flow: (1) Operating activities: Primarily attributed to expected expansion to business scale and total premium of MLI, which led to an increase in net cash generated from operating activities compared to that of the current period. (2) Investing activities: Primarily attributed to expected increases to shares and bond investments for investment requirements of MLI, which led to an increase in cash outflow compared 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 meant that current office space is no longer capable of supporting the company's operations. In consideration of future plans and needs to expand office spaces, a number of floors of the Times Financial Plaza have been gradually purchased in 2016 to accommodate office space expansions. The following lists the 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 14F, No. 6, Section 3, Minquan East Road, Zhongshan District, Taipei City. Plans have been made to use this procurement to accommodate operations-related organizations of the Taipei Branch. This building was also listed as an item for conducting strategic and continuing purchases during various property meetings.

The benefits of this procurement 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 this Corporation.

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

(3) Pharmaceuticals

Major capital expenditures of 2016: Plant and equipment

1. Expected benefits:

These capital expenditures were required to support growth of this Corporation's businesses in this sector. Business is still growing for this Corporation, 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

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 2016: Refer to pages 139 to 140 of this Annual Report.

(2) No individual investment project in the following fiscal year has accounted for more than five percent (5%) of the paid-in capital. However, this 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

Central banks around the world have implemented quantitative easing policies to reduce base interest rates and stimulate the economy. To resist deflation, this Corporation adopted an asset procurement plan to further suppress yield rate while improving market investment liquidity. Excessive liquidity, however, will force investors to pursue items with higher profitability on the market. However, the ECB has announced an intention to reduce the scale of asset procurement in December, which is expected to reduce the issue caused by excessive liquidity. Additionally, the US Federal Reserve System (The Fed) has increased interest rates by 0.25% in March 2017, and is expected to raise interest rates 3 times in 2017. In 2017, the US economy will continue to assume a gradual growth which is also expected to gradually increase interest rates. However, Trump's financial expansion policies may lead to continued inflation that may lead to significant increases in uncertainties.

(1) Retail of daily commodities and food

Financial costs for 2016 amount to NT\$ 19,542,000, a figure that respectively amounts to 0.11% and 4.04% of net operating revenue and net income after taxes of this business category. 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) Insurance

Net income from interest on investments in 2016 amounted to NT\$ 26,157,713,000. This figure respectively amounts to 15.03% and 904.16% of net operating revenue and income before tax listed in the financial statement of the business unit. This Corporation shall continue to closely observe trends in interest rates, make timely adjustments to investment portfolios, and formulate appropriate investment strategies.

(3) Pharmaceuticals

Interest expenses amounted to NT\$ 2,016,000 in 2016 due to interest amortization from the issuance of corporate bonds. Changes to market interest rates would not affect relevant interest expenditures.

(4) Other

Net income from interest on investments in 2016 amounted to NT\$ 1,410,000. This figure respectively amounts to 0.05% and 2.58% of net operating revenue and income before tax listed in the financial statement of the business unit. 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

As inflation rates and labor market approach or reach the goals of the US Federal Reserve System (The Fed), the FOMC made a resolution in March 2017 to increase interest rates by 0.25%. Yellen, Chairperson of The Fed, emphasized that the United States will continue to increase interest rates accordingly. Evaluations of the future market and the question of whether the US Dollar will continue its gradual increase in value or finish at a specific interval will be based on frequency and scale of interest increases decided upon by The Fed.

(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) Insurance

Net profits (losses) from currency exchange in 2016 amounted to (NT\$ 7,044,991,000), respectively amounting to (4.05%) and (243.52%) of the net operating revenue and income before tax listed in the financial statement of the business unit. This Corporation shall continue to refer to trends of foreign exchange rates to make appropriate adjustments to hedging strategies and reduce the impacts to corporate profitability caused by fluctuations in foreign exchange rates.

(3) Pharmaceuticals

Exchange income generated in 2016 amounted to NT\$ 11,540,000. 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 hedge currency risks. This Corporation shall also adequately reflect adverse changes to currency rates to our customers during the quotation phase.

(4) Other

Net exchange gains (losses) in 2016 amounted to (NT\$ 2,960,000), which accounted for (0.11%) and (5.42%) 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 hedge 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

Forecast statistics by the Directorate-General of Budget, Accounting, and Statistics (DGBAS) on January 5, 2017, showed that CPI has achieved an annual growth of 1.40% in 2016. As a result of typhoons, prices for food commodities rose by 5.24%. This Corporation shall continuously monitor price fluctuations in the raw material market, continue to maintain positive interactions with its suppliers, continuously adjust product portfolio, and improve margin structures to reduce cost pressures brought about by future inflation and its impact to business operations.

(2) Insurance

Recent increases in energy costs and other factors have caused the inflation rate in the United States to approach its target value of 2%. 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 changes and trends of inflation throughout the world 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\$ 1.1 billion in 2016. An increase of 2% in inflation rates will increase expenses by NT\$ 22 million. Inflation is a symptom of the overall economic environment, meaning that there are 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) Other

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 this 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 has not made any 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.* This Corporation has therefore made no financial loans to other parties or engage in transactions involving endorsements and guarantees. This Corporation also provide loans according to the provisions in Article 146-3 of the *Insurance Act*.

(3) Conduct of derivatives trading:

This 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. In the future, this Corporation shall make proper use of maximum limits of overseas investments and adequate hedging tools. This Corporation shall also strictly abide by the relevant regulations to achieve risk diversification, improve the stability of investment returns, and maximize the

interests of this Corporation.

3. Pharmaceuticals

- (1) Policy: This 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 was carried out for the purpose of hedging. This Corporation shall continue to strictly abide by relevant procedures for derivatives trading stipulated by both the competent authorities and this 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

- (1) High risk and highly leveraged investments, and derivatives trading:
This Corporation has adopted a conservative financial policy and neither engages in any high risk or highly leveraged investments nor derivatives trading. If this 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 this 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\$ 894,000 in 2016, which accounted for 0.18% of net income after taxes (NIAT) of this business sector. No prediction was made for future R&D expenses.

2. 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. This Corporation constantly monitors 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 to cater to market demands. To expand new businesses and target new populations, this Corporation has continued to research and develop creative products that lead the entire industry. To meet the requirements of specific populations, this Corporation generated insurance policies dedicated for men and women, and children, as well as women's and children's insurances. The decision-making team of this Corporation also evaluated market trends and believe that issues of an aging population have gradually surfaced in Taiwan. In addition to releasing long-term healthcare related insurance products, life-long disability insurances were also released in 2016. As the market of retirement pensions offers great potential for future growth, the R&D team released the first group pension insurance product in Taiwan to provide a diversification

tool for growth and accumulation. Employers may utilize this product to plan employee retirements and meet employee retirement planning requirements.

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 2017 are expected to amount to NT\$ 36,219,000.

3. Pharmaceuticals

R&D project title	Current progress	Expected completion time Mass production time	Key factors influencing R&D success	Expected R&D investments
Barbital sodium	Under development	June 2017	Key technology	Commercialization plans in the future will require an additional R&D investment of about NT\$ 40,000,000.
Mara-IMB	Under development	September 2017	Key technology	
Marariroc	Under development	December 2017	Key technology	
PMDOL	Process improvement	June 2017	Key technology	
MTMS	Process improvement	September 2017	Key technology	

4. Other

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\$ 120,000,000. 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. Insurance

(1) Changes to law: Amendments to *Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises* announced by the FSC on February 3, 2016.

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.

B. Loosened restrictions include that insurers would not be required 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 ten percent (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\$ 100 million,

limiting the impact of such regulations.

- (2) Changes to law: Amendments to the *Regulations Governing Derivatives Transactions Conducted by Insurance Companies* announced by the FSC on February 17, 2016.

Impact and response measures:

This Corporation currently does not have a department responsible for liabilities for insurance payments (GMxB), and is therefore unaffected by the said change. However, once the law enters into force, it will provide a clear legal basis for this form of liability hedging measure. Insurance companies can refer to the policy-assured payment and refer to its own model and have an internal team implement relevant hedging. In effect, the law benefits development and operations management capabilities of policy products in Taiwan and the said hedging operations can be used to acquire management fees and benefits. In the future, once the commodity department develops this type of products, the relevant departments shall provide support to implement them accordingly.

- (3) Changes to law: Amendments to the *Regulations Governing Foreign Investments by Insurance Companies* announced by the FSC on March 31, 2016.

Impact and response measures:

Legalizing additional investment items may benefit the flexibility and channels for capital utilization, but the benefits do not offer significant assistance for asset categories or valuation currencies with higher risks or investments with low returns. The law also sets limit to subordinated financial bonds and corporate bonds. This Corporation invests in both of these when risks are within acceptable limits. Such investments offer better returns and exert mild influence over return on investments.

- (4) Changes to law: Stipulation of the *Article 177-1 Paragraph 2 of the Insurance Act specifying the forms of providing personal documented agreement from an individual, scope of business, and other management regulations for matters of compliance* through an order from the FSC on May 26, 2016.

Impact and response measures:

- A. Comply with the changes and revise special agreements related to the collection, processing, and use of personal information in this Corporation.
- B. Stipulate handling procedures in this Corporation for the collection, processing, or utilization of the customer's medical records, medical records, health examination, and other personal information. This Corporation is currently compliant to the relevant regulations.

- (5) Changes to law: Amendments to the *Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises* announced by the FSC on August 31, 2016.

Impact and response measures:

No effects as this Corporation is not a party to investments in social housing. For other limited partnerships, the stipulation of the new law resulted in risks that differ from forms in the past. This Corporation thus made relevant revisions to internal specifications and shall practice prudent investment as opportunities present themselves.

- (6) Changes to law: Amendments to the *Regulations Governing Investment of Investment-linked Insurance* announced by the FSC on December 12, 2016.

Impact and response measures:

This Corporation has, on the basis of the laws, revised internal processing procedures and adjusted internal management operations, and notified its commissioned agencies to act according to law.

- (7) Changes to law: Amendments to the *Regulations Governing Preparing of Financial and Operational Reports by Enterprises Engaging in Insurance* by the FSC on January 24, 2017.

Impact and response measures:

The *Regulations Governing Preparing of Financial and Operational Reports by Enterprises Engaging in Insurance* are primarily based upon changes to the International Financial Reporting Standards (IFRS). The adjustments were referenced in order to revise certain contents. This Corporation commissioned an accounting firm to perform audits and issue financial statements every quarter, commissioned an actuarial consultant firm to generate pension actuarial reports, and independently generate a shareholders' meeting annual report. Relevant laws and disclosures were compiled according to the latest versions of the *Regulations Governing Preparing of Financial and Operational Reports by Enterprises Engaging in Insurance*. No effects to the financial reports and disclosures of this Corporation as this Corporation is fully aware of the latest changes to law and generated the financial statements according to the latest laws. This Corporation is currently compliant to the relevant regulations.

- (8) Changes to law: Amendments to a ruling on the provisions of Article 2 of the *Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises* from the FSC on March 21, 2017.

Impact and response measures:

This Corporation has not made any investments described by this order. In the future, this Corporation may participate in investments with acceptable risk levels to raise income from investment.

3. Pharmaceuticals

The Ministry of Health and Welfare (MOHW) of Taiwan has initiated source management and continued to enforce policies related to API management to ensure API manufacturing quality. In addition to the GMP guidelines announced by the PIC/S in May 2013, the MOHW also updated the *Pharmaceutical Good Manufacturing Practice Regulations (Volume 2: API)*, specifying that all API plants in Taiwan must demonstrate full compliance with PIC/S GMP standards. In October 2016, additional quality and risk management specifications were introduced to strengthen pharmaceutical management and reduce quality risks of pharmaceuticals. Newly added products also obtained GMP approval from the TFDA in compliance with the relevant laws. In terms of international regulations, the EU, the US, and Japan have recently announced and implemented stricter regulations to ensure the quality and safety of pharmaceuticals, with data integrity serving as interim keypoints. Data integrity is currently a focal point of site audits performed by both public agencies and customers. The US FDA issued warnings to the pharmaceutical plants in India and China for related reasons. The US FDA also announced a draft on data integrity findings in April 2016. In response to these issues, this Corporation strengthened personnel training and upgraded instrument units in the quality control lab with network connections and operations. Quality control organizations also established computer-based quality management systems to meet the regulatory trends of international standards. Current focal issues also include specifications governing the contents of metal impurities in

pharmaceuticals. In December 2014, the International Conference on Harmonisation (ICH) announced relevant regulations under the title Q3D. The ICH Q3D was adopted by the European Medicines Agency (EMA) in July 2016 and the European Pharmacopoeia (EP) in 2017. Starting in 2018, the United States Pharmacopoeia (USP) made analysis of metal impurities in pharmaceuticals mandatory. To meet this international specification, inductively coupled plasma optical emission spectrometry (ICP-OES) and mass spectroscopy (ICP-MS) were procured to perform the relevant tests. Quality requirements for pharmaceuticals are definitely compliant to regulations in Taiwan and other countries. This Corporation has continued to pursue self-improvement and is confident that these measures will serve as its competitive niche.

4. Other

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, developing SCM systems to connect goods import, sales, warehousing, and payment operations with suppliers, and automation of logistics centers to achieve effective reductions of inventory size and manual labor operations. This Corporation also established network phones to reduce communication costs, using technological advancements to further reduce management and operational costs while improving efficiency.

2. 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 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. Other

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. 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, building and instilling a positive corporate image in the public.

Where incidents that may affect corporate image occur in the future, a third-party market surveillance company shall be first commissioned to evaluate the extent of damage to the image from the perspective of internal employees and external customers. Internal training shall also be used in tandem with external announcements to rebuild corporate image.

3. Pharmaceuticals

There is currently no incident of corporate risk management.

4. Other

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:

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

With the exception of the aforementioned subsidiaries, 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 has been established in June 2016 and is expected to support warehousing, logistics, and delivery volumes needed by future storefront expansions to further improve the efficiency of transportation and distribution.

2. Insurance

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

3. Pharmaceuticals

In 2016, major capital expenditures result from factory plant and equipment, which were required to support growth of this Corporation's businesses in this sector. As business is still expanding, the newly acquired plant and equipment shall be effectively

utilized to benefit future operations. If sales volume fail to reach expected values, the negative impacts could include idling of production capacity and increased production costs. This Corporation shall therefore focus on securing market sales to improve capacity utilization rate.

4. Other

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. Insurance

This Corporation is a life insurance provider and derives insurance income from the general public. Sales are 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 supplies 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 25.86% of total procurements, while the largest client accounted for 14.36% of total sales. There is no risk of excessive consolidation of purchasing or sales.

4. Other

With the exception of exclusive dealers in Taiwan of Hitachi-Omron Terminal Solutions, Corp., this Corporation is not subject to risks of 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 ten percent (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:

For major litigious, non-litigious, or administrative disputes of affiliated companies of this Corporation that have been concluded by means of a final judgment or are still under litigation, refer to pages 184 to 189 of this Annual Report.

This also includes any major litigious, non-litigious, or administrative disputes of this Corporation or corporate directors, supervisors, general managers, actual persons in charge, or major shareholders holding more than ten percent (10%) of the shares, where the said disputes have been concluded by means of a final judgment or are still under litigation.

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

7. Other important issues: None

VIII. Special Disclosure

1. Affiliated businesses

(1) Consolidated business report of affiliated businesses

1. Organization structure of affiliated businesses (December 31, 2016)

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. (Note 3)	90%			
			Mercuries Leisure Co., Ltd.	2.81%			
			Zfranchises Taiwan, PTE. LTD	100%			
			Simple Mart Trading Co., Ltd. (Note 1)	100%			
	Mercuries Harvest Co., Ltd.	100%	-	Mercuries Leisure Co., Ltd.	0.97%		
	Napoli Co., Ltd.	100%	-	Mercuries Leisure Co., Ltd.	9.49%		
				Mercuries FoodService (continued at Part 2)	45.74%		
				Mercuries Life Insurance	0.61%		
	Mercuries Life Insurance Co., Ltd.	44.47%					
	Tamg Fwu Enterprise Co., Ltd. (Note 2)	45.00%					
				Mercuries Life Insurance	2.90%		
				Mercuries Leisure Co., Ltd.	5.23%		
	Mercury Fu Bao Co., Ltd.	100%	-	SCI Pharmtech Inc. (continued at Part 4)	1.21%		
				Asiandawn Venture Inc. (continued at Part 1)	74.34%		
				Mercuries FoodService (continued at Part 2)	7.62%		
				WAYIA.COM INC.	1.71%		
				HIPACT TECH. INC.	5.17%		
	Mercuries Foodservice Japan , Ltd.(Note 3)	10%					
	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%	-	Shang Rih Co.,Ltd..	100%		
	Mercuries Furniture Co., Ltd.	100%	-	Mercuries Life Insurance	0.38%		
	SCI Pharmtech Inc. (continued at Part 4)	31.90%					
	Sanyou Drugstores, Ltd.	50%					
Monteur & Mercuries Co., Ltd.	50%						
Mercuries Bakery Co., Ltd.	100%	-	Mercuries FoodService (continued in part 2)	21.33%			
Mercuries Insurance Agency Co. Ltd.	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 Co., Ltd. (continued at Part 2)	25.31%						
Asiandawn	16.62%						
Venture Inc. (continued at Part 1)							

1. Organization structure of affiliated businesses - continued (December 31, 2016)

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

Note 1: SIMPLE MART TRADING CO., LTD. has been renamed as SIMPLE MART RETAIL CO., LTD.

Note 2: July 31, 2016 is the base date of dissolution of TARNG FWU ENTERPRISE. The company is currently undergoing liquidation.

Note 3: Due to cash capital increase in March 2017, MERCURIES & ASSOCIATES, LTD. shareholding percentage was increased by 93.33%, while shareholding percentage of MERCURIES & ASSOCIATES HOLDING, LTD. was reduced by 6.67%.

2. Basic information of various affiliated businesses

Unit: Thousand NT\$; December 31, 2016

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	16,670,874	Personal insurance services
Tarng Fwu Enterprise Co., Ltd. (Note 1)	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	794,853	Processing, manufacturing, and sales of active pharmaceutical ingredients (APIs) and API intermediates
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 Insurance Agency Co. Ltd.	November 28, 2008	7F-8, No. 2, Street 150, Section 5, Xinyi Road, Taipei City	3,000	Insurance agency
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 290,000,000	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	Investment holding company
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	Investment holding company

Company name	Date established (year)	Address	Actual paid-in capital	Primary business or products
It Union Limited	July 25, 2003	Samoa	-	Purchasing and sales of electronic equipment
Yushan Pharmaceuticals, Inc.	June 24, 2013	No. 61, Street 309, Haihu North Road, Luzhu District, Taoyuan City	371,000	Research and development, production, and sales of API and formulations
Yushan Holding Universal Ltd.	November 12, 2013	Floor4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands	374,711	Investment holding
Mercuries Data Systems International Ltd.	August 1, 2000	British Virgin Islands	USD 10,510,000	Development, production, and sales of computer software and mail software; management of proprietary products; relevant technical inquiries and services
Core Info Tech Limited (Hong Kong)	August 23, 2000	29 th Floor Wing On Centre 111Connaught Road Central Hong Kong	USD 10,600,000	Development, production, and sales of computer software and mail software; management of proprietary products; relevant technical inquiries and services
Mercuries Soft (Nanjing) Ltd.	December 26, 2002	No. 359, Jiangdong Zhong Road, Jianyou District, Nanjing City (10F, No. 1, Zone B, Guorui Daxia Building)	USD 13,500,000	Development, production, and sales of computer software and mail software; management of proprietary products; relevant technical inquiries and services
Tasty Noodle Co., Ltd.	June 22, 2011	Samoa	USD 5,000,000	Investment 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	Investment holding company
Shanghai Kunlun-Taiwan Shopping Mall Co.,Ltd.	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	Investment holding company
Mercuries Rich Co., Ltd.	August 4, 2008	Part of 3F, No. 393, Changshou Road, Putuo District, Shanghai City	USD 65,710,000	Department store and retail
Shanghai Bakery Café 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, hardware, 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.	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.

Company name	Date established (year)	Address	Actual paid-in capital	Primary business or products
SIMPLE MART TRADING CO., LTD. (Note 2)	February 7, 2013	11F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	1,000	Trade
Zfranchises Taiwan, PTE. LTD	September 16, 2014	British Virgin Islands	30,056	Food retail

Note 1: July 31, 2016 is the base date of dissolution of TARNG FWU ENTERPRISE. The company is currently undergoing liquidation.

Note 2: SIMPLE MART TRADING CO., LTD. has been renamed as SIMPLE MART RETAIL CO., LTD.

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. (Note 1)	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
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 Insurance Agency Co., Ltd.	Insurance agency
Shang Rih Co.,Ltd.	Distribution of tobacco, alcohol, beverages, and food
Mercuries FoodService Co., Ltd.	Investment holding company
Asiandawn Ventures Inc.	Investment holding company
It Union Limited	Purchasing and sales of electronic equipment
Yushan Holding Universal Ltd.	Investment holding
Yushan Pharmaceuticals, Inc.	Research and development, production, and sales of API and formulations
Mercuries Data Systems International Ltd.	IT software, hardware, and processing services
Core Info Tech Limited (Hong Kong)	IT software, hardware, and processing services
Mercuries Soft (Nanjing) Ltd.	IT software, hardware, and processing services
Tasty Noodle 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 Co., Ltd.	Department store and retail
Shanghai Bakery Café Limited Company	Food retail
Mercuries 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.	Food retail management, distribution of clothing, apparel, shoes, hats, umbrellas, and accessories, and department store retail.
SIMPLE MART TRADING CO., LTD. (Note 2)	Trade
Zfranchises Taiwan, PTE. LTD	Food retail

Note 1: July 31, 2016 is the base date of dissolution of TARNG FWU ENTERPRISE. The company is currently undergoing liquidation.

Note 2: SIMPLE MART TRADING CO., LTD. has been renamed as SIMPLE MART RETAIL CO., LTD.

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

Unit: Thousand shares; % December 31, 2016

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, Chih-hua Wang, 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	Chi-tsai Yang (Note 2)	1,670	0.10%
Mercuries Data Systems Ltd.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Hsiang-chung Chen	98,505	52.59%
	Director	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: HL Chen, Wen Chu Chen, Cheng-ping Chung, and Te-cheng Tang		
	Independent director	Shang-hung Shen	0	0.00%
	Independent director	Ming-sheng Lin	0	0.00%
	Supervisor	Yuan-chi Chao	0	0.00%
	Supervisor	Li-yun Yang (Note 3)	46	0.02%
	Supervisor	Johnson Wang	0	0.00%
	General Manager	Hsiang-chung Chen (Note 3)	532	0.28%
SCI Pharmtech Inc.	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, HOLDING LTD: Wei-chun Weng	25,236	31.90%
	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 (Note 3)	431	0.54%
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	--	--
	Supervisors	深山清志	--	--
	General Manager	Kuang-hung Chen	--	--
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	--	--
	Director	Johnson Wang	--	--
	Director	Hsiang-fen Chen	--	--
	Supervisors	Li-yun Yang	--	--
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 Li-yun Yang		
	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. (MDS): Hsiang-chung Chen	146	72.80%
	Director	Artificial person representative(s) of Mercuries Data Systems Ltd. (MDS): Chung-wei Tsai, Tsung-kuang Li, and Chih-hsien Li		
	Director	Cheng-ping Chung	7	3.58%
	Supervisor	Wen Chu Chen	--	--
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		
WAYIA.COM INC.	President	Artificial person representative(s) of Mercuries Data Systems Ltd. (MDS): Hsiang-chung Chen	12,250	58.33%
	Director	Artificial person representative(s) of Mercuries Data Systems Ltd. (MDS): 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	--	--

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
TARNG FWU ENTERPRISE CO., LTD. (Note 4)	President	Hsien-chang Wang	--	--
	Director	Johnson Wang	--	--
	Director	Wei-hui Liao	--	--
	Director	TK Chin	--	--
	Director	Artificial person representative(s) of Taiwan Sugar Foundation: 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	--	--
	Supervisors	Kuo-kai Lin	--	--
	General Manager	Kuang-hung Chen	--	--
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		
Mercuries 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: Li-yun Yang		
	General Manager	Po-an Chen		
Shang Rih Co.,Ltd.	Director	Artificial person representative(s) of Asahi & Mercuries Co., Ltd.: Kuang-hung Chen	500	100.00%
Mercuries FoodService Co., Ltd.	Director	HL Chen	--	--
Asiandawn Ventures Inc.	Director	HL Chen	--	--
It Union Limited	Director	Artificial person representative(s) of Mercuries Data Systems Ltd.: Ken S.C. Chen	--	100.00%
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 (Hong Kong)	Director	Artificial person representative(s) of Mercuries Data Systems International Ltd.: Ken S.C. Chen	--	100.00%
	Director	Artificial person representative(s) of Mercuries Data Systems International Ltd.: Wen Chu Chen		
Mercuries Soft (Nanjing) Ltd.	President	Artificial person representative(s) of Core Info Tech Limited (Hong Kong): Hsiang-chung Chen	--	100.00%
	Director	Artificial person representative(s) of Core Info Tech Limited (Hong Kong): Wen Chu Chen, Cheng-ping Chung, Hung-hsiang Hsieh, and Chung-wei Tsai		
	Supervisor	Artificial person representative(s) of Core Info Tech Limited (Hong Kong): Hsiao-chi Hsu		

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries FoodService Japan, Ltd.	Director	Kuang-hung Chen	--	--
	Director	高坂健一		
	Director	Shu-wen Lin		
Mercuries FoodService (Shanghai) Co., Ltd	President	Artificial person representative(s) of MERCURIES FOOD SERVICE: Chien-hsiung Lin	--	47.37%
United Developers Of Taiwan PTE LTD	President	HL Chen	--	--
	Director	Li-yun Yang and Linor Chan		
Shanghai Kunlun-Taiwan Shopping Mall Co.,Ltd.	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	--	--
Mercuries Rich Co., Ltd.	President	Artificial person representative(s) of Mercuries Food Service Co., Ltd.: Hsien-chang Wang	--	29.29%
	Director	Artificial person representative(s) of Family Shoemart Co., Ltd.: Chien-sui Chang	--	63.48%
	Director	Artificial person representative(s) of Shanghai Kunlun-Taiwan Shopping Mall: Kuang-lung Chiu	--	7.23%
	Supervisor	TK Chin	--	--
Shanghai Bakery Café Limited Company	Director	Artificial person representative(s) of Mercuries Bakery (Shanghai) Limited Company: Chien-hsiung Lin	--	100.00%
Mercuries 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: 足立亮二 and 石川士郎	14,000	40.00%
	Supervisor	Jui-hsing Chen	--	--
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	--	--
Tasty Noodles Co., Ltd. (SAMOA)	President	HL Chen	--	--

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Family Shoemart Co., Ltd. (SAMOA)	President	HL Chen	--	--
MERCURIES & ASSOCIATES, LTD.	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		
SIMPLE MART TRADING CO., LTD. (Note 5)	President	Artificial person representative(s) of MERCURIES & ASSOCIATES, 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 Mercury Fu Bao Co., Ltd.: Li-yun Yang	100	100.00%
Zfranchises Taiwan, PTE. LTD	Director	Johnson Wang	--	--

Note 1: Information on directors, supervisors, and general managers were based upon the data of April 30, 2017.

Note 2: Chi-tsai Yang has been appointed to the position of General Manager through a Board Meeting resolution on March 21, 2017. The said appointment has yet to be approved by the competent authority. Numbers of shares held shown in the form is the number of shares held at the time of appointment.

Note 3: Refers to the number of shares held and shareholding percentage on the book closure day of the company.

Note 4: July 31, 2016 is the base date of dissolution of TARNG FWU ENTERPRISES. The company is currently undergoing liquidation.

Note 5: SIMPLE MART TRADING CO., LTD. has been renamed as SIMPLE MART RETAIL CO., LTD.

5. Business operating conditions of the affiliated businesses

Unit: NT\$, December 31, 2016

Company name	Actual paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Gain (loss) during this period (after tax)	Earnings per share (after tax / NT\$)
Mercuries Data Systems Ltd.	1,873,145	3,849,963	1,751,693	2,098,270	2,661,622	48,747	49,612	0.27
Mercury Fu Bao Co., Ltd.	2,362,600	3,431,535	46,472	3,385,063	128,612	(28,868)	115,705	0.49
Mercuries General Media, Inc.	48,300	115,956	12,934	103,022	24,820	1,496	9,588	1.99
Napoli Co., Ltd.	499,500	712,879	170,925	541,954	1,166,280	87,747	88,355	1.77
Mercuries Harvest Co., Ltd.	90,000	132,841	526	132,315	220	(1,726)	584	0.06
Mercuries Leisure Co., Ltd.	711,000	679,535	100	679,435	0	(2,354)	(2,318)	(3.26)
Mercuries Life Insurance Co., Ltd.	16,670,874	948,966,235	917,738,244	31,227,991	174,076,303	3,010,525	2,960,997	1.78
HIPACT TECH. INC.	2,000	9,908	1,505	8,403	278	(17)	30	0.15
Mercuries Furniture Co., Ltd.	180,000	315,167	164,419	150,748	519,614	(11,369)	593	0.03
SCI Pharmtech Inc.	794,853	3,550,246	479,325	3,070,921	1,903,100	517,589	416,955	5.34
WAYIA.COM INC.	210,000	22,279	697	21,582	0	(640)	(414)	(0.02)
MERCURIES DATA SYSTEMS INT'L LTD.	345,042	107,904	2,114	105,790	0	(2,740)	(13,304)	--
Core Info Tech Limited (Hong Kong)	341,850	106,746	0	106,746	0	(2,418)	(13,302)	--
TARNG FWU ENTERPRISE CO., LTD. (Note 1)	60,000	60,408	229	60,179	0	(150)	1,105	184.17
Mercuries Soft (Nanjing) Ltd.	496,899	108,039	5,414	102,625	35,737	(17,782)	(13,302)	--
It Union Limited	0	230	231	(1)	631	0	0	--
Mercuries FoodService Co.,Ltd.	612,750	42,764	2	42,762	0	0	(896)	--
Mercuries FoodService (Shanghai) Co., Ltd.	293,020	7,148	1,866	5,282	0	(356)	159	--
Mercuries Bakery Co., Ltd.	32,092	31,651	100	31,551	0	(109)	(269)	(0.08)
Asiandawn Ventures Inc.	918,537	286,932	100,427	186,505	0	(1,009)	(94,200)	--
United Developers of Taiwan PTE Ltd.	USD 69	303,180	1,281,734	(978,553)	0	(245)	(93,190)	--
Shanghai Kunlun-Taiwan Shopping Mall Co., Ltd.	1,372,664	631,709	396,722	234,987	423,959	(60,421)	(88,683)	--
Mercuries Bakery (Shanghai) Limited Company	375,267	26,581	(806)	27,386	0	817	817	--
YuShan Holding Universal Ltd.	374,711	357,158	0	357,158	0	(158)	(1,180)	--
Yushan Pharmaceuticals, Inc.	371,000	353,966	100	353,866	0	(974)	(963)	(0.03)
Asahi & Mercuries Co., Ltd.	200,000	306,569	138,359	168,210	951,176	15,830	21,468	1.07
Mercuries Insurance Agency Co., Ltd.	3,000	22,240	2,125	20,115	123,238	14,867	12,340	41.13
Shang Rih Co.,Ltd.	5,000	5,361	1,836	3,525	14,776	(348)	(425)	--
Mercuries Rich Co., Ltd.	RMB 65,711	176,077	132,907	43,170	27,112	(5,594)	(5,587)	--

Unit: NT\$, December 31, 2016

Company name	Actual paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Gain (loss) during this period (after tax)	Earnings per share (after tax / NT\$)
Shanghai Bakery Café Limited Company	RMB 20,900	1,355	0	1,355	0	(99)	(99)	--
Mercuries Information Systems International Co., Ltd.	3,000	1,968	132	1,836	138	(186)	(184)	(0.61)
Shanghai Sanshang Canying Limited Company	RMB 4,800	3,429	463	2,967	0	(58)	(10)	--
TASTY NOODLE CO., LTD.	147,916	2,783	0	2,783	0	0	(84)	--
FAMILY SHOEMART CO., LTD.	192,057	27,411	0	27,411	0	0	(3,546)	--
Sanyou Drugstores, Ltd.	350,000	392,578	259,864	132,714	720,020	(66,489)	(74,844)	--
Monteur & Mercuries Co., Ltd.	120,000	36,457	3,461	32,997	14,134	(27,619)	(38,018)	--
Mercuries Foodservice Japan, Ltd.	82,479	32,594	4,590	28,004	21,814	(36,459)	(36,573)	--
MERCURIES & ASSOCIATES, LTD.	1,000,000	5,966,512	4,470,246	1,496,266	16,106,965	483,973	395,008	3.95
SIMPLE MART TRADING CO., LTD. (Note 2)	1,000	7,391	6,262	1,129	23,913	170	142	1.42
Zfranchises Taiwan, PTE. LTD	30,056	32,963	22,564	10,399	25,379	(16,397)	(16,252)	--

Note 1: July 31, 2016 is the base date of dissolution of TARNG FWU ENTERPRISE. The company is currently undergoing liquidation. Financial information at the base date of dissolution is provided.

Note 2: SIMPLE MART TRADING CO., LTD. has been renamed as SIMPLE MART RETAIL CO., LTD.

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 303 of the Chinese annual report.
- (3) Derivatives trading of the affiliated businesses: Refer to page 318 of the Chinese annual report.

(2) Consolidated financial statements of affiliated businesses

Statement

We hereby state that for 2016 (from January 1, 2016 to December 31, 2016), the affiliated businesses to be included for the consolidated financial statements of this Corporation according to the *Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprise* are the same as the companies to be included in the parent and subsidiary companies of the consolidated financial statement to be included according to the *International Financial Reporting Standards (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 30, 2017

2. Private placement of 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 12, 2017

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 shares value in 2016 up to the publication date of this report	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%	2016	-	-	-	2,292 \$52,374	None	None	None
				Up to the publication date of this report in 2017	-	-	-	2,292 \$54,094	None	None	None
Mercuries Harvest Co., Ltd.	90,000	Disposal funds	100.00%	2016	-	-	-	4,428 \$101,182	None	None	None
				Up to the publication date of this report in 2017	-	-	-	4,428 \$104,504	None	None	None
Mercury Fu Bao Co., Ltd.	2,362,600	Disposal funds	100.00%	2016	-	-	-	34,602 \$790,661	None	None	None
				Up to the publication date of this report in 2017	-	-	-	34,602 \$816,612	None	None	None

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 this 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:

This Corporation did not issue employee stock options in 2016.

3. Basis for the evaluating balance sheet categorization methods:

- (1) When evaluating aging of accounts receivable, the first step is to verify the existence of objective evidence demonstrating aging of major and separate accounts receivable.

Where objective evidence indicates aging of major and separate accounts receivable, the amount of the aging shall be evaluated separately. Where objective evidence shows that aging occurred in non-major accounts receivable, 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 104 to 131 the Chinese annual report.

4. Key performance indicator (consolidated report):

	2016	2015
Operation and profitability		
Profit ratio (%)	1.76	1.62
Earnings per share (NT\$)	3.04	2.19
Return on shareholders' equity (%)	11.62	11.09
Return on total assets (%)	0.41	0.38
Solvency		
Current ratio (%)	1,074.71	1,436.54
Quick ratio (%)	1,042.83	1,401.68

5. Describes the implementation by each director for the diversification policy governing the Board of Directors membership.

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

Director	Gender	Administration and management	Leadership decision	Industrial knowledge (Note)	Financial accounting
HL Chen	Male	V	V	V	
Ming-yu Mao	Male	V	V	V	
Hsien-chang Wang	Male	V	V	V	
Li-yun Yang	Female	V	V	V	V
Hsiang-chung Chen	Male	V	V	V	
Wei-chun Weng	Male	V	V	V	
Cheng-i Fang	Male	V	V	V	
Mao Li	Male	V	V	V	V
Chang-i Chen	Male	V	V	V	V

Note:

Each director has the following industrial knowledge:

HL Chen: Investment companies, daily commodities and supplies, and food services and retail industries

Ming-yu Mao, Hsien-chang Wang, Li-yun Yang, and Cheng-i Fang: Daily commodities and food services and retail industries.

Hsiang-chung Chen: Information systems sector.

Wei-chun Weng: Pharmaceutical industry.

Mao Li: Financing, taxes, and the financial industry.

Chang-i Chen: Financial industry.

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 this Corporation during 2016 and up till the publication date of this report.

MERCURIES & ASSOCIATES, HOLDING LTD

(Formerly MERCURIES & ASSOCIATES, LTD)



Person in charge: HL Chen

