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Annual Report 2017

Mercuries & Associates Holding, Ltd.

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Annual Report Website:

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I. Letter to Shareholders

Mercuries & Associates Holding, Ltd. ("the Company") is an investment holding company, and its joint ventures undertake life insurance, retail of daily commodities and food, pharmaceuticals, and information services. In 2017, the Company optimized investment based on the existing long-term development strategies. In the future, the Company will move toward a business model of diversification and multiple markets in the hope of improving the operating performance through specialization and economies of scale.

I. 2017 Business Report

(1) Results of business plan

The Company's investment strategies are implemented after prudent evaluation. Making good use of the Group's resources, the Company has constantly forged joint ventures or strategic alliances with partners at home and abroad. The results of business plans of the Company's investment plan in 2017 are as follows:

1. Retail of daily commodities and food

To improve the profitability of each retail store, the Company kept track of existing competitors, assessed threats of new competitors, and adjusted the product structure in line with consumers' preferences; compared with 2016, revenue in 2017 increased, along with the number of retail stores.

2. Life insurance

Global economy revived as expected. Facing the exchange loss due to the appreciation of NTD, Mercuries Life Insurance actively strengthened the control of market risks based on the principle of steady operation; through solid investment strategies, Mercuries Life Insurance pursued the increase in the overall profit. By 2017, the total amount of assets reached NT\$1.529 trillion, and revenue and profit increased by 6% and 8%, respectively, compared to 2016.

3. Pharmaceuticals

Due to customers' changes in products and the depreciation of USD, revenue and profit of SCI Pharmtech, Inc. in 2017 were 1.301 billion and 190 million, respectively.

4. Information services industry

Due to the increase in the number of ATMs installed and revenue from projects, revenue of MDS Co., Ltd. (MDS) in 2017 increased by 22%. With the careful selection of projects and an improved capacity for software development, profit in 2017 increased by 44%.

(2) Budget Implementation, Financial income, and Profitability Analysis

The consolidated operating income of NT\$239 billion in 2017 increased by 16% compared to NT\$205.4 billion in 2016, resulting in a budget achieving rate of 107%.

In terms of profit, net income attributable to the parent company was NT\$1.641 billion; earnings per share after tax was NT\$2.27; the return on assets was 7.18%; the return on shareholders' equity was 10.57%.

(3) Research and development status

1. Retail of daily commodities and food

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

Facing the aging society and low interest rates, Mercuries Life Insurance developed guaranteed investment products for retirement management, including disability support insurance, small-amount life insurance, and guaranteed products. Fulfilling its corporate social responsibility and corporate governance, Mercuries Life Insurance has been selected in the TWSE Corporate Governance 100 Index for three consecutive years. In 2017, Mercuries Life Insurance won the Best Corporate Social Responsibility Award in the category of non-financial holdings from Excellence Magazine.

3. Pharmaceuticals

Research and development expenses in 2017 were commensurate to those in 2016. In 2017, the construction of a new R&D building was expected to accommodate more manpower and equipment. Due to regulatory factors, the application for a building permit was delayed. The construction is expected to commence in 2018. With investment in more R&D resources, new products are expected to be developed ahead of the market.

4. Information services industry

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

II. Summary of Annual Business Plan for 2018

(1) Operating objectives

The Company will lower operating costs and strengthen competitive advantages through focused management. 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 the Company's values.

(2) Important product and sales policies

1. Retail of daily commodities and food

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, and 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

The focus on development strategies is to strengthen the financial structure, improve the investment performance, and optimize the risk control and operational efficiency. To strengthen the financial constitution, Mercuries Life Insurance shall improve its capital adequacy and cost control to implement cost management and reinforce financial strength. Product portfolios shall be optimized to create the new contract value. Mercuries Life Insurance shall strengthen the operation of foreign exchange and hedging tools to improve the use of funds and return on investment. To improve operational efficiency, mobile business and digital services shall be offered.

3. Pharmaceuticals

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: SCI Pharmtech produces and sells electronic specialty chemicals with high standards in the pharmaceutical industry and customizes products in line with customers' needs and implement mass production.

4. Information services industry

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.

III. External Competitive Environment and Overall Operating Environment

The global economy in 2017 revived gradually from stagnation. The global investment, trade, and industrial production were driven by the economic recovery in advanced countries, resulting in the restoration of confidence and prosperity in financial markets. Nearly 75% of economies around the world sped the growth, showing an economic growth better than expected. With the global economic recovery and high export of high-tech products, the economic growth in Taiwan hit a record high in recent years, along with the stock market. According to the statistics from Ministry of Economic Affairs, the turnover of retail sale in non-specialized stores and food and beverage service activities in Taiwan increased by 2.06% and 2.93%, respectively, regardless of the long-term depression in private consumption and investment due to a series of policy reforms. According to the statistics from the Directorate General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, the economic growth in Taiwan was 2.86% in 2017, showing a significant increase of 1.50% compared to 2016.

With the constant improvement in emerging markets and developing countries, the global economic recovery is expected to expand further in 2018. In spite of uncertainties, such as geopolitics, extreme climate, and trade protectionism in the U.S., the International Monetary Foundation (IMF) has predicted a 3.9% global economic growth in 2018, higher than 3.7% in 2017. With the improvement in the labor market and increases in basic salaries and remunerations of civil servants, and proactive salary adjustment in enterprises, consumption is expected to increase. Compared to 2016, investment increased significantly, but import and export declined in 2017. Statistics from the DGBAS on February 13, 2018 predicted a 2.42% economic growth in Taiwan for 2018. The predicted growth rate is less than that in 2017. Our management and employees remain committed to their work. To reduce risks of operation, we have implemented a business strategy for diversification and devoted ourselves to innovation in hopes of enhancing the quality of our services and business performance.

IV. Developmental Strategies for the Company in the Future

The Company's existing major businesses have been in operations for over 30 years. 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 Profile

1. Date of founding: February 19, 1965

2. Company history

1965	Company founded with a capital 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 to NT\$ 32 million. 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 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 increased to NT\$ 401 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 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 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 increased to NT\$ 1,002.50 million.
1990	Established the Food Division to serve as a sales agent in Taiwan for Kirin Brewery Company of Japan. Capital increased to NT\$ 1,303.25 million. Implemented the 5-day workweek system.
1991	Issued convertible corporate bonds worth a total of NT\$ 600 million. Capital increased to NT\$ 1,433.57 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. Capita increased to NT\$ 1,785.63 million.
1993	Established the Mercuries Life Insurance Co., Ltd.
1994	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 increased to NT\$ 3,749.45 million.
1998	Recapitalization of retained earnings of NT\$ 374.95 million. Capital increased to NT\$ 4,124.40 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 increased to NT\$ 4,330.62 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 increased to NT\$ 4,763.68 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 increased to NT\$ 5,507.58 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\$

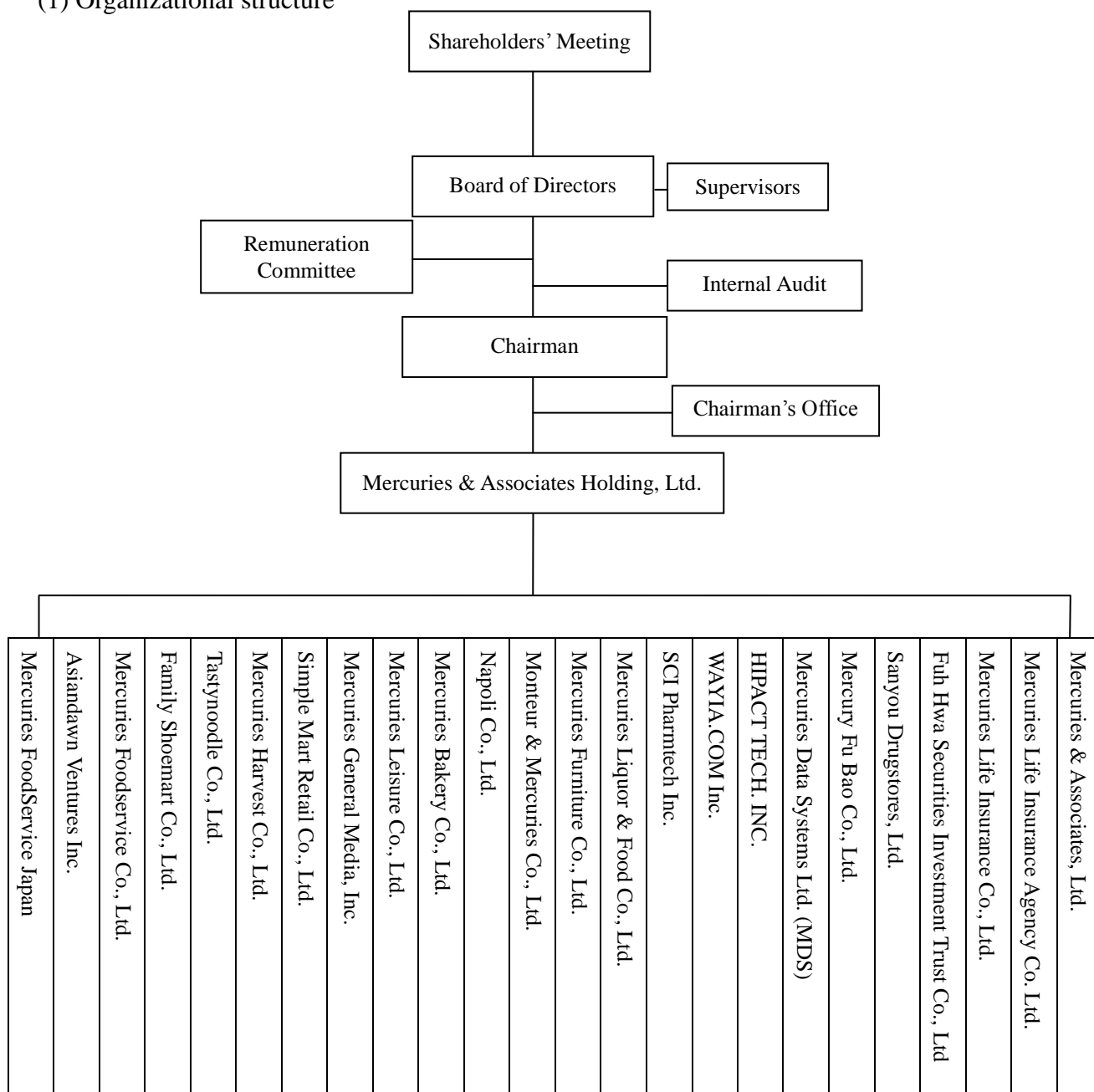
- 106.15 million. Capital increased to NT\$ 5,413.73 million.
- President Chen, He-tung passed away. Chen,Shiang-Li succeeded him as the next Chairman.
- 2006 Proprietary brand of TonKaTsu established, a franchise chain serving Japanese-style fried pork chop.
- Established the En Route casual footwear 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 increased to NT\$ 5,678.65 million.
- Joint venture with the Japanese company of Asahi Breweries, Ltd. to establish Asahi & Mercuries Co., Ltd.
- Extinguished treasury stocks and reduced capital by NT\$ 198.91 million. Capital reduced to NT\$ 5,479.74 million.
- 2010 Recapitalization of retained earnings of NT\$ 269.99 million. Capital increased to NT\$ 5,749.73 million.
- Invested in Mercuries Life Insurance. Shares held increased from 27.5% 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 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 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 increased to NT\$ 6,813.83 million.
- 2014 Mercuries FoodService Japan, Ltd. established in Japan.
- 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 Holding, Ltd. A separate wholly-owned subsidiary named Mercuries & Associates, Ltd. was established.
Restricted employee stocks worth NT\$ 280,000 canceled. Paid-in capital reduced to NT\$ 6,813.41 million.
- 2016 Recapitalization of retained earnings of NT\$ 340.67 million. Restricted employee stocks worth NT\$ 90,000 canceled. Capital increased to NT\$ 7,153.99 million.
- 2017 Mercuries & Associates, Ltd. spun off daily commodities and consumer goods retailer franchises business to its subsidiary Simple Mart Retail Co., Ltd.
The Company redeemed the shares of Asahi & Mercuries Co., Ltd. held by Asahi Group Holdings, Ltd., leading to the shareholding ratio of 100% from 50% and Asahi & Mercuries Co., Ltd. was renamed Mercuries Liquor & Food Co., Ltd.
Recapitalization of retained earnings of NT\$500.78 million. Restricted employee stocks worth NT\$150,000 canceled. Capital increased to NT\$7,654.62 million.
- 2018 Restricted employee stocks worth NT\$70,000 cancelled. Capital reduced to NT\$7,654.55 million.

III. Corporate Governance Report

1. Organization

(1) Organizational structure



(2) Responsibilities and functions of major departments

Major departments	Major responsibilities
Chairman'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 chairman's office.
Internal Audit	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 managers, assistant general managers, deputy assistant general managers and the supervisors of all the Company's divisions and branch units.

(1) Directors and Supervisors

April 24, 2018

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
Chairman	Republic of China	Representative of Shanglin Investment Co., Ltd.: Chen,Shiang-Li	Male	June 24, 2015	3 years	May 8, 1997	140,214,249 * 18,795,389	20.58% * 2.76%	157,530,708 * 21,116,619	20.58% * 2.76%	0	0	0	0	MBA, Georgetown University General Manager, Mercuries & Associates Holding, Ltd.	Chairman of Mercuries General Media, Mercuries Leisure, Shanghong Investment, Tasty Noodle, Family Shoemart, Mercuries Foodservice, Asiandawn, 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 Retail, Shanglin Investment, Mercuries Liquor & Food, Simple Mart Plus, Foundation for Taiwan Masters Golf Tournament, and Foundation of Chinese Dietary Culture; chairman of Criminal Investigation and Prevention Association R.O.C; chairman of R.O.C Taiwan Teeball Association, and executive director of the Chinese Slow Pitch Softball Association.	Director	Chen,Shiang-Chung	Male sibling
Director	Republic of China	Representative of Shanglin Investment Co., Ltd.: Mao,Ming-Yu	Male	June 24, 2015	3 years	May 8, 1997	140,214,249 *4,233,919	20.58% * 0.62%	157,530,708 *4,756,806	20.58% * 0.62%	72,091	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 Investment Co., Ltd.: Wang,Hsien-Chang	Male	June 24, 2015	3 years	May 8, 1997	140,214,249 * 435,406	20.58% * 0.06%	157,530,708 *489,178	20.58% * 0.06%	78,770	0.01%	0	0	Department of Business Administration, Feng Chia University General Manager, Mercury Fu Bao Co., Ltd.	Chairman of Mercury Fu Bao, Mercuries Harvest, and Mercuries Rich; director of Napoli and Mercuries Social Welfare And Charity Foundation, Taoyuan County; and supervisor of Criminal Investigation and Prevention Association R.O.C.	-	-	-

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 Investment Co., Ltd.: Yang, Li-Yun	Female	June 24, 2015	3 years	June 19, 2009	140,214,249 *403,953	20.58% * 0.06%	157,530,708 *453,840	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, Mercuries Social Welfare And Charity Foundation, Taoyuan County, and Foundation for Taiwan Masters Golf Tournament; supervisor of Mercuries Harvest, Mercury Fu Bao, Mercuries General Media, Mercuries Data Systems, Mercuries Leisure, Simple Mart Retail, Monteur & Mercuries, Mercuries Liquor & Food, Simple Mart Plus, CMG International One, and CMG International Two; and convener of Criminal Investigation and Prevention Association R.O.C.	-	-	-
Director	Republic of China	Representative of Shanglin Investment Co., Ltd.: Chen,Shiang-Chung	Male	June 24, 2015	3 years	January 15, 2014	140,214,249 *12,116,942	20.58% *1.78%	157,530,708 *15,013,384	20.58% * 1.96%	844,090	0.11%	0	0	Bachelor of Industrial Engineering, Purdue University Departmental chief, Walsin Lihwa Corporation	Chairman and General Manager of Mercuries Data Systems, Wayia. Com Inc. ; chairman of Mercuries Life Insurance Agency, Hipact Tech. Inc., Mercuries Soft (Nanjing) Ltd.,and Monteur & Mercuries; director of Mercuries Information, Shanglin Investment, Shanghong Investment, EasyCard Corporation and Foundation for Taiwan Masters Golf Tournament; independent director of Walsin Lihwa Corporation, Key Ware Electronics and Teco Image Systems; supervisor of Powertec Energy Corporation and Digicentre Company Co., Ltd.; vice chairman of Criminal Investigation and Prevention Association R.O.C.; and member of remuneration committee of Walsin Lihwa.	Chairman	Chen,Shiang-Li	Male sibling
Director	Republic of China	Wong, Wei-Ciyun	Male	June 24, 2015	3 years	June 5, 2012	* 5,015,337	* 0.74%	* 5,634,730	* 0.74%	105,034	0.01%	0	0	Ph.D. in Chemistry, University of Pennsylvania General Manager, SCI Pharmtech Inc.	Chairman and General Manager of SCI Pharmtech and Yushan Pharmaceuticals; chairman of Yushan Holding Universal Ltd.; director of Shuren Investment, Shufeng Investment, Foundation for Taiwan Masters Golf Tournament, CMG International One Co., Ltd., and CMG International Two Co., Ltd.; and director of Criminal Investigation and Prevention Association R.O.C.	-	-	-
Director	Republic of China	Fang,Cheng-Yi	Male	June 24, 2015	3 years	October 3, 1983	* 5,305,788	* 0.78%	* 5,961,052	* 0.78%	6,332,379	0.83%	0	0	Bachelor of Business, National Taiwan University President, Avnet Asia Pte Ltd.,Taiwan Branch	Chairman of De Cheng Culture and Art Foundation; director of , Macronix International, 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	Lee, Mao	Male	June 24, 2015	3 years	June 24, 2015	* 32,000	* 0.00%	* 0	*0	0	0	0	0	Master in China Studies, Tamkang University Director General & Vice Director General, Customs Administration, Ministry of Finance; Director General & Vice Director General, Taipei Customs; Vice Director General, Keelung Customs Associate Professor, Chihlee University of Technology; Assistant Professor, National Taichung University of Science and Technology Member and Chairman of Remuneration Committee, Taiwan Cooperative Financial Holding Co., Ltd. Independent Director, Taiwan Cooperative Bank, Ltd. Member and Chairman of Remuneration Committee, Taiwan Cooperative Bank, Ltd. Member of the Board of Examiners for the 2006 and 2008 Professional and Technical Examinations.	Member and chairman of remuneration committee of Mercuries & Associates Holding, Ltd.; director of Pan German Universal Motors Ltd. ; independent director of Farglory Free Trade Zone; and director of Customs Association of the R.O.C.	-	-	-

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	Jeffrey 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 remuneration committee of Mercuries & Associates Holding, Ltd.; Chairman of Shanghai Dinghui Real Estate Development, Shanghai Dingwei Real Estate Development, Shanghai Dingyu Real Estate Development, Shanghai Dingqi Property Management, Kunshan Dinghong Real Estate Development, Kunshan Dingyue Real Estate Development, Shanghai Ding Fan Department Store; director(representative) of Advanced Semiconductor Engineering and general manager of China Headquarters in Shanghai; director of ASE TEST, INC., ASE ELECTRONICS INC.(representative), ASE (Kunshan) Inc., ASE Test Limited (Singapore), ASE Test Holdings Ltd., Omniquest Industrial Ltd., ISE Labs, Inc., ASE Investment (Labuan) Inc., ASE Electronic Components (Shanghai), Advanced Semiconductor Engineering (Hong Kong), Suzhou ASEN Semiconductors, ASE Trading (Shanghai), Super Zone Holdings Ltd.,HHI, Universal Scientific Industrial (Shanghai) Co., Ltd., and Jiangsu Longchen Greentech; and supervisor of ASE Assembly and Test (Shanghai) and USI Inc.	-	-	-
Supervisor	Republic of China	Cheng-I-Teng	Male	June 24, 2015	3 years	June 5, 2012	*0	*0	*0	*0	1,960	0.00%	0	0	Bachelor of 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) Assistant General Manager, Lianghua Guigu Touzi Guanli Co., Ltd. (Ningbo)	Executive director, Golden Points Capital Management Limited	-	-	-

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
Supervisor	Republic of China	Representative of Shuren Investment Co., Ltd.: Lin Chien-Chih	Male	June 24, 2015	3 years	June 5, 2012	96,690,495*0	14.19%*0	108,631,770*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. ; 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., Kbtelecom Co., Ltd., Global Digital Media Co., Ltd., Dongbo Ziben Chuangye Investment, Xinsi Investment, Sigao Investment, and Dongbo Caiwu Guwen; and secretary general of AIOTA.	-	-	-

(2) Major shareholders of the institutional shareholders

April 24, 2018

Name of the institutional shareholders	Major shareholders of the institutional shareholders	Shareholding percentage
Shanglin Investment Co., Ltd.	Chen,Shiang-Li	31.41%
	Chen,Shiang-Chieh	17.67%
	Chen,Shiang-Feng	17.67%
	Hsu,Chang-Hui	6.37%
	Chen,Shiang-Chung	13.54%
	Shanghong Investment Co., Ltd.	8.21%
	Wang,Te-Pin	5.13%
Shuren Investment Co., Ltd.	Wong,Wei-Chyun	27.89%
	Wong,Tsui-Chun	24.70%
	Shufeng Investment Co., Ltd.	15.39%
	Wong,Chau-Shi	14.39%
	Wong,I-Hsuan	17.55%
	Yang,Chun-Hui	0.06%
	Yang,Hsueh-Hui	0.02%

Major shareholders of institutional shareholders who are major shareholders listed in the previous list

April 24, 2018

Name of the institutional shareholders	Major shareholders of the institutional shareholders	Shareholding percentage
Shanghong Investment Co., Ltd.	Hsu,Chang-Hui	6.14%
	Chen,Shiang-Li	23.08%
	Shanglin Investment Co., Ltd.	23.08%
	Chen,Shiang-Chieh	15.90%
	Chen,Shiang-Feng	15.90%
	Wang,Te-Pin	4.62%
	Chen,Shiang-Chung	11.28%
Shufeng Investment Co., Ltd.	Shuren Investment Co., Ltd.	67.95%
	Wong,Chau-Shi	14.62%
	Wong,Wei-Chyun	8.20%
	Wong,Tsui-Chun	8.20%
	Yang,Chun-Hui	0.46%
	Yang,Hsueh-Hui	0.26%
	Wong,I-Hsuan	0.26%
	Chen,Shiang-Feng	0.05%

(3) Directors and supervisors

April 24, 2018

Name	Condition	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	
Directors															
Chen,Shiang-Li				✓						✓	✓		✓		0
Mao,Ming-Yu				✓		✓	✓	✓	✓	✓	✓	✓	✓		1
Wang,Hsien-Chang				✓			✓	✓		✓	✓	✓	✓		0
Wong,Wei-Chyun				✓			✓	✓		✓	✓	✓	✓	✓	0
Fang,Cheng-Yi				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yang,Li-Yun				✓			✓	✓		✓	✓	✓	✓		0
Chen,Shiang-Chung				✓						✓	✓		✓		3
Lee,Mao		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jeffrey Chen				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Supervisors															
Liu,Chien-Chih			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Cheng,I-teng				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	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 enterprise.
- (2) Not serving as a director or supervisor of the Company's affiliated enterprise (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 held through nominees.
- (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 enterprise, 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 Managers, assistant general managers, deputy assistant general managers, and the supervisors of all the Company's divisions and branch units.

April 24, 2018

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 the 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	Chen, Shiang-Li	Male	December 14, 2004	21,116,619	2.76%	0	0	0	0	MBA, Georgetown University General Manager, Mercuries & Associates Holding, Ltd.	Chairman of Mercuries General Media, Mercuries Leisure, Shanghong Investment, Tasty Noodle, Family Shoemart, Mercuries Foodservice, Asiandawn, 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 Retail, Shanglin Investment, Mercuries Liquor & Food, Simple Mart Plus, Foundation for Taiwan Masters Golf Tournament, and Foundation of Chinese Dietary Culture; chairman of Criminal Investigation and Prevention Association R.O.C; chairman of R.O.C Taiwan Teeball Association, and executive director of the Chinese Slow Pitch Softball Association.	None	None	None
Assistant General Manager and principle financial officer	Republic of China	Wang, Chih-Hua	Male	February 1, 2004 July 17, 2009	154,988	0.02%	0	0	0	0	Bachelor of Economics, Fu Jen Catholic University Manager, Corporate Services Department, Mercuries & Associates, Ltd.	Chairman of Zhengchen; director of 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, and Mercuries Data Systemss; and representative of Zfranchises Taiwan, PTE. LTD.	None	None	None
Assistant General Manager and Principle accounting officer	Republic of China	Chen, Te-Kai	Male	November 14, 2014 July 30, 2009	55,486	0.01%	0	0	0	0	Bachelor 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 Mercuries Rich.	None	None	None

3. Remuneration paid out to directors, supervisors, the general managers, and assistant general managers

The following circumstances do not apply to the Company: (1) After-tax deficits in the individual or independent financial statement for the two most recent fiscal years (2) Insufficient director shareholding percentages for three (3) consecutive months or longer (3) An average ratio of share pledging by directors or supervisors in any three (3) months of the most recent fiscal period in excess of fifty percent (50%) (4) Where remuneration of the entire body of directors and supervisors acquire a remuneration for directors and supervisors of all companies is in excess of two percent (2%) of the net income after taxes, and where an individual director or supervisor has acquired a remuneration in excess of NT\$ 15 million, the name may be disclosed according to aggregate remuneration information indicated by the relevant remuneration range.

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

Unit: Thousand NT\$ / Thousand shares

Title	Name	Director's remuneration								Proportion of net income after summing items A, B, C, and D		Employee remuneration for other activities												Proportion of net income after summing items A, B, C, D, E, and F		Whether or not the person receives remuneration from other non-subsidiary companies that the Company has invested in
		Remuneration (A) (Note 1)		Retirement pension (B)		Director's Remuneration (C) (Note 3)		Business execution fees (D)				Salaries, bonuses, and special expenses (E)		Retirement allowance (F) (Note 2)		Employee remuneration (G) (Note 3)				Number of shares that may be purchased through the employee stock warrant (H)		Restricted employee shares acquired (H)				
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report			
President	Shanglin Investment Chen,Shiang-Li	0	0	0	0	10,000	11,744	840	840	0.66%	0.77%	8,662	34,594	288	612	0	0	2,360	0	0	0	0	1.21%	3.06%	None	
Director	Shanglin Investment Mao,Ming-Yu																									
Director	Shanglin Investment Chen,Shiang-Chung																									
Director	Shanglin Investment Wang,Hsien-Chang																									
Director	Shanglin Investment Yang,Li-Yun																									
Director	Wong,Wei-Chyun																									
Director	Fang,Cheng-Yi																									
Independent director	Lee,Mao																									
Independent director	Jeffrey Chen																									

*Remuneration received in the most recent year by the directors of the Company for rendering services (such as serving as a non-employed consultant) to any company listed in the Financial Report: NT\$ 0.

*Remuneration received in the most recent year by the directors of the Company for rendering services (such as serving as a non-employed consultant) to any company listed in the Financial Report: NT\$ 0.

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

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

Note 3: The board meeting of March 23, 2018, approved the issuance of directors' and supervisors' remuneration and employees' compensation that amounted to NT\$ 12,000,000 and NT\$ 17,800,000 respectively.

Table of remuneration ranges

Each remuneration range range of the Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies listed in this Financial Report I	The Company	All companies listed in this Financial Report J
Less than NT\$ 2,000,000	Fang,Cheng-Yi, Wong,Wei-Chyun, Lee,Mao, and Jeffrey Chen Representative of Shanglin Investment: Chen,Shiang-Chung, Mao,Ming-Yu, Wang,Hsien-Chang, and Yang,Li-Yun	Fang,Cheng-Yi, Wong,Wei-Chyun, Lee,Mao, and Jeffrey Chen Representative of Shanglin Investment: Chen,Shiang-Chung, Mao,Ming-Yu, Wang,Hsien-Chang, and Yang,Li-Yun	Fang,Cheng-Yi, Wong,Wei-Chyun, Lee,Mao, and Jeffrey Chen Representative of Shanglin Investment: Chen,Shiang-Chung, Mao,Ming-Yu, Wang,Hsien-Chang, and Yang,Li-Yun	Fang,Cheng-Yi, Lee,Mao, and Jeffrey Chen Representative of Shanglin Investment: Mao,Ming-Yu,
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	Representative of Shanglin Investment: Chen,Shiang-Li	Representative of Shanglin Investment: Chen,Shiang-Li	0	0
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	0	0	Representative of Shanglin Investment: Chen,Shiang-Li	Wong,Wei-Chyun Representative of Shanglin Investment: Chen,Shiang-Li, Wang,Hsien-Chang, and Yang,Li-Yun
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	0	0	0	Representative of Shanglin Investment: Chen,Shiang-Chung
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 net income after summing items A, B, and C		Whether or not the person receives remuneration from other non-subsidiary companies that the Company has invested in
		Remuneration (A) (Note 1)		Compensation (B) (Note 3)		Business execution fees (C) (Note 2)				
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	
Supervisor	Shuren Investment Liu,Chien-Chih	0	0	2,000	2,000	150	150	0.13%	0.13%	None
Supervisor	Cheng,I-teng									

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

Note 2: Business execution fees refer to commuting expenses.

Note 3: The board meeting of March 23, 2018, approved the issuance of directors' and supervisors' remuneration of NT\$ 12,000,000.

Table of remuneration ranges

Remuneration range for each supervisor in the Company	Name of the supervisor	
	Sum of the first 3 items (A+B+C)	
	The Company	All companies listed in this Financial Report (D)
Less than NT\$ 2,000,000	Cheng,I-teng Representative of Shuren Investment Liu,Chien-Chih	Cheng,I-teng Representative of Shuren Investment Liu,Chien-Chih
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 assistant general managers (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 net income after summing items A, B, C, and D (%)		Amount of employee stock warrant acquired		New restricted employee shares acquired		Whether or not the person receives remuneration from other non-subsidiary companies that the Company has invested in
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company		All companies listed in this Financial Report		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	
								Cash Sum	Shares Sum	Cash Sum	Shares Sum							
General Manager	Chen, Shiang-Li	6,106	6,106	493	493	8,900	8,900	0	0	0	0	0.94%	0.94%	0	0	0	0	None
Assistant General Manager	Wang, Chih-Hua																	
Assistant General Manager	Chen, Te-Kai																	

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 23, 2018, approved the issuance of employees' compensation of NT\$ 17,800,000.

Table of remuneration ranges

Remuneration range for each general managers and assistant general managers in the Company	Name of the general managers and assistant general managers	
	The Company	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	Wang,Chih-Hua, Chen,Te-Kai	Wang,Chih-Hua, Chen,Te-Kai
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	Chen,Shiang-Li	Chen,Shiang-Li
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, 2018

	Title	Name	Value of share payments (Note)	Value of cash payments (Note)	Total	Total payment as a proportion of net income (%)
Managerial officers	General Manager	Chen,Shiang-Li	0	0	0	0
	Assistant General Manager	Wang,Chih-Hua				
	Assistant General Manager	Chen,Te-Kai				

Note: The board meeting of March 23, 2018, approved the issuance of employees' compensation of NT\$ 17,800,000.

Compare and analyze the total remuneration paid to each of the Company's directors, supervisors, general managers, and assistant general managers in the 2 most recent fiscal years by all companies listed in the Company's individual and consolidated financial statement as a percentage of net income 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 net income (%)

	The Company		All companies in the consolidated report	
	2017	2016	2017	2016
Directors	1.21%	0.95%	3.06%	2.64%
Supervisors	0.13%	0.10%	0.13%	0.10%
General Managers and Assistant general managers	0.94%	0.71%	0.94%	0.71%

B. Directors' and supervisors' remuneration policy in the Company is prescribed within the Articles of Incorporation and has been approved by the Shareholders' meeting.

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 Remuneration Committee of the Company by considering the title, contribution, and performance of the remuneration recipient as well as the future risk exposure of the Company. The remuneration proposal shall then be submitted to the board of directors for final approval before being implemented accordingly.

4. Implementation of corporate governance

(1) Implementation of Directors' Meetings

A. A total of 10 Directors' Meetings were held in the most recent fiscal year (2017).

The following lists the attendance of Directors and Supervisors in these meetings:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in person (%)	Note
Chairman	Shanglin Investment Chen,Shiang-Li	8	2	80%	-
Director	Shanglin Investment Mao,Ming-Yu	10	0	100%	-
Director	Shanglin Investment Wang,Hsien-Chang	10	0	100%	-
Director	Shanglin Investment Yang,Li-Yun	9	0	90%	-
Director	Shanglin Investment Chen,Shiang-Chung	7	0	70%	-
Director	Wong,Wei-Chyun	8	0	80%	-
Director	Fang,Cheng-Yi	9	0	90%	-
Independent director	Lee,Mao	10	0	100%	-
Independent director	Jeffrey Chen	7	1	70%	-
Supervisor	Shuren Investment Liu,Chien-Chih	4	0	40%	-
Supervisor	Cheng,I-teng	8	0	80%	-

Other items that shall be recorded:

- For any item listed in Article 14 Paragraph 3 of the *Securities and Exchange Act* as well as any other issues where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ, and have been submitted to the Directors' Meeting for resolution, the date, session, topic discussed, opinions of every independent directors, and the Company's handling of the opinions of the independent directors:
 - Any matter listed in Article 14-3 of the *Securities and Exchange Act*: Independent directors did not provide any opinions during the 10 board meetings held in 2017.
 - 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.
- 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:
For the first proposal for the adoption of managers' compensation among the discussion items in the Board meeting on January 17, 2017, Director Chen,Shiang-Li did not participate in the vote due to the conflict of interests.
- Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented:
 - The Company employed lawyers to improve awareness for relevant laws and corporate governance to the Board of Directors and provide relevant information for director training.
 - For all Directors, the total number of training hours was 63 in 2017.
 - State of communication between Independent Directors, the internal auditor officer, and the CPAs (shall include material matters, methods, and results of communication pertaining to corporate finances and business operations):
 - The Company convenes a Board meeting at least once every two months. In 2017, the internal auditor officer attended 9 Board meetings to report the results of internal audits and communicate with Independent Directors face-to-face. In 2017, Independent Directors provided no recommendation for internal controls.
 - The CPAs attended the Board meetings on March 30, 2017, May 12, 2017, July 12, 2017, August 14, 2017, November 7, 2017, November 14, 2017, and December 22, 2017 and the shareholders' meeting on June 22, 2017 to communicate with independent directors face-to-face about corporate governance, key audit items for the year, the operating status, and the independence of the CPAs. Independent Directors made no comment on the aforesaid issues.
 - Contact information of independent directors, the internal auditor officer, and the CPAs is provided to facilitate communication.

B. Attendance of independent directors in board meetings in 2017 :

◎ : Attendance in person, ※ : Attendance by proxy, * : Absence

2017	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Seventh Meeting	Eighth Meeting	Ninth Meeting	Tenth Meeting
Lee,Mao	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Jeffrey Chen	◎	※	◎	◎	◎	◎	*	◎	*	◎

(2) Operations of the Audit Committee or Supervisors' participation in Board meetings:

A. The Company has made plans to establish the Audit Committee once the term of office of the incumbent Directors and Supervisors expires (at the reelection to be held in the 2018 annual general meeting).

B. Supervisors' participation in Board meetings:

A total of 10 Board meetings were held in 2017. The following lists the attendance of Supervisors in these meetings:

Title	Name	Number of actual attendance	Rate of actual attendance	Note
Supervisor	Shuren Investment Liu,Chien-Chih	4	40%	-
Supervisor	Cheng,I-teng	8	80%	-

Other items that shall be recorded:

1. Composition and responsibilities of the supervisors:

- (1) Communication with the Company's employees and shareholders: Where the Supervisors believe to be necessary, the Supervisors may directly contact employees and shareholders
- (2) Communication between Supervisors, the internal auditor officer, and the CPA:
 1. The internal auditor officer regularly submits audit reports to the Board of Directors and Supervisors.
 2. Where the Supervisors believe to be necessary, the Supervisors may contact the CPAs in person, by phone or in writing.

2. Where the Supervisor attending a Board meeting expresses an opinion, the date of the Board meeting, session number, contents of proposals, resolutions of the Board of Directors, and the Company's disposal of the Supervisor's opinion shall be stated: The Supervisors had no opinion on the proposals raised in the 10th Board meetings convened in 2017.

(3) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such departure

Assessed Items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Causes of the Said Gaps
	Yes	No	Summary	
1. Did the Company stipulate and disclose the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and disclosed these Principles on the Market Observation Post System (MOPS) and its official website.	None.
2. Equity structure and shareholders' equity of the Company				
(1) Did the Company establish internal procedures for handling shareholders' proposals, inquiries, disputes, and litigation? Were such matters handled according to these internal procedures?	V		(1) A spokesperson system has been established. The dedicated personnel were assigned to handle shareholders' recommendations, disputes, and other questions. Matters related to the shareholders' meeting were implemented according to the Rules and Procedures of Shareholders Meeting.	None.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		(2) In compliance with the regulations, the Company disclosed changes in the shareholding of insiders on a monthly basis. During the book closure period, the stock agency will provide a list of shareholders to monitor changes in the shareholding of major shareholders.	None.
(3) Did the Company establish and enforce risk controls and firewall systems with its affiliated companies?	V		(3) The Company proceeds and abides by in accordance with its Regulations Governing the Implementation of Internal Control Systems and the Procedures for Acquisition and Disposal of Assets.	None.
(4) Did the Company stipulate internal rules that prohibit insiders from trading securities using information not disclosed to the market?	V		(4) In reference to its internal control procedures, the Company has prohibited any insiders from using undisclosed information for securities trading. Unannounced audits will also be conducted by internal audit.	None.
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) The Company referred to the regulations of Article 20 of the Corporate Governance Best Practice Principles to ensure that members of the Board of Directors have work experiences and professional skills required for business, financial, accounting, and corporate operations. For the details of implementation, refer to Page 140 of this Annual Report.	None.
(2) In addition to the Remuneration Committee and the Audit Committee established according to the law, has the Company voluntarily established other functional committees?	V		(2) The Company shall, whenever appropriate, evaluate the necessity of establishing functional committees.	None.
(3) Did the Company stipulate regulations for assessing the	V		(3) The Company referred to the Regulations Governing Self-Evaluation or	None.

Assessed Items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Causes of the Said Gaps
	Yes	No	Summary	
<p>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 assess the independence of the CPAs?</p>	V		<p>Peer Evaluation of the Board of Directors to conduct annual performance evaluations. Results of the Directors' self-evaluations for 2017 were reported in the Board meeting on January 31, 2018. A total of 10 Board meetings were convened in 2017 with the average attendance of 87%, which is above the standard for the evaluation of the Board's performance (convention of 6 Board meetings with the average attendance of 75%). The Board of Directors operated and performed duties in accordance with the Company's Rules and Procedures of Board of Director Meetings. The Board of Directors performed well in 2017.</p> <p>(4) The Company, on the basis of Article 29 of the Corporate Governance Best Practice Principles, implements regular evaluations and acquires a statement of independence from the CPAs every year. The assessment on the independence of the CPAs was reviewed and passed in the Board meeting on November 14, 2017.</p> <p>Items assessed include: The CPA and his/her spouse or minor children shall not have any investment, sharing of financial interests, or capital loans, or any of the 22 related items with the Company.</p>	None.
4. Has the Company set up a full-time (part-time) corporate governance unit or person 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 change registration, and producing minutes of Board meetings and shareholders' meetings)?	V		The Company has currently assigned persons of the general management department to be in charge of corporate governance affairs, including furnishing information required for business execution by Directors, handling matters related to Board meetings and shareholders' meetings, handling corporate registration and change registration, and producing minutes of Board meetings and shareholders' meetings.	None.
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 on the company website? Has the Company addressed major corporate social responsibility (CSR) topics that the stakeholders are concerned in a proper manner?	V		<p>(1) The Company has established a spokesperson system and a stakeholders' area on the official website, disclosed relevant contact information on the MOPS and its official website according to related regulations, and created good communication channels with investors.</p> <p>(2) Related departments of the Company have been assigned to be in charge of maintaining open communication channels with stakeholders that include correspondent banks, consumers, suppliers, and investors.</p>	None.
6. Has the Company delegated a professional stock agency to handle shareholders' meetings?	V		The Company has delegated the Shareholder Services Department of Horizon Securities Corp. to be in charge of handling affairs pertaining to shareholders'	None.

Assessed Items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Causes of the Said Gaps
	Yes	No	Summary	
			meetings within the Company.	
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance?	V		(1) The Company has established the official website for disclosing information on finances, business operations, and corporate governance. Links with Taiwan Securities Exchange (TWSE) and Market Observation Post System (MOPS) have also been established to provide the prompt disclosure of information.	None.
(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, implementing a spokesperson system, and disclosing the process of investor conferences on the company website)?	V		(2) The Company has established a company website and assigned persons to maintain and disclose corporate information through the website. The Company has also established a spokesperson system, and assigned dedicated persons to collect and publish information.	None.
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 purchase of liability insurance for its Directors and Supervisors)?	V		(1) Employees' rights: The Company recruited employees in a fair manner and hired people with disabilities and re-employed women according to the Labor Standards Act and related regulations to protect employees' rights. (2) Employee care: The Company has established the Employee Welfare Committee to stipulate adequate employee welfare plans as well as provision of bonuses for marriage, funerals, childbirth, and other celebrations. On-job training for employees was also carried out on suitable occasions to generate positive relationships with employees. (3) Investor relations: The Company fully disclosed information on the company website to allow investors to understand its operation instantly. The Company communicated with investors through shareholders' meetings, investor conferences, and a spokesperson system. (4) Supplier relations: The Company maintained business relationships with suppliers based on the principle of reciprocity and evaluated new suppliers' credit terms carefully. The Company managed the business dealings with suppliers according to the Ethical Corporate Management Best Practice Principles	None

Assessed Items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Causes of the Said Gaps
	Yes	No	Summary	
			<p>under the supervision of the auditing departments, which reported to the Board of Directors on a regular basis.</p> <p>(5) Stakeholders' rights: Customers: The Company provided quality products and services and listened and responded quickly to customers' opinions to meet their needs. Shareholders: The Company's ultimate goal is to fulfill its corporate social responsibility, while maintaining shareholders' interests.</p> <p>(6) Progress of training of Directors and Supervisors: The Company provided information or content updates on matters relating to corporate governance, finance, accounting, and laws for its Directors and Supervisors every now and then. Lawyers or CPAs would be engaged in cases where there are any impacts or areas that required clarification. For progress of training of Directors and Supervisors, refer to Page 44 of this Annual Report.</p> <p>(7) Risk management policy and state of implementing risk impact standards: The risk management policy of the Company was implemented through the Board of Directors in accordance with the relevant regulations. Various operational policies and internal regulations were also established for business units (BU) within the Company to follow. Operational risks shall be identified, assessed, monitored, avoided, and reported upon by managerial officers. Auditors shall evaluate process implementation and risk control measures taken by departments and regularly submit audit results to the Board of Directors and Supervisors. The Chairman's Office has established the Emergency Response Task Force composed of members from each department to promptly and effectively respond to contingencies and reduce business risks. For risk assessments and responses, refer to Page 114 of this Annual Report.</p> <p>(8) State of implementing customer policies: The Company attaches great importance to consumer rights and has established a toll-free 0800 customer service hotline. Dedicated persons have been appointed to handle cases of complaints. A policy of product returns and replacement has also been established and implemented accordingly.</p> <p>(9) Purchase of liability insurance for its Directors and Supervisors:</p>	

Assessed Items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Causes of the Said Gaps
	Yes	No	Summary	
			Purchase of liability insurance for Directors and Supervisors is currently being reviewed.	
9. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of Taiwan Stock Exchange Corporation (TWSE), and prioritized matters and measures to be improved for matters that have not been improved.	V		<p>(1) According to the result of the 4th corporate governance evaluation published by Taiwan Stock Exchange Corporation, the Company was ranked 36%~50%.</p> <p>(2) Evaluation items where the Company did not gain any points and the state of improvements:</p> <ol style="list-style-type: none"> The Company failed to establish the Audit Committee. State of improvement: The Company has made plans to establish the Audit Committee once the term of office of the incumbent Directors and Supervisors expires (at the reelection to be held in the 2018 annual general meeting). Members of the Remuneration Committee failed to attend at least two meetings. State of improvement: The Company will invite members of the Remuneration Committee to attend the meetings actively in 2018. Directors and Supervisors of the Company failed to complete training hours prescribed in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. State of improvement: Directors and Supervisors of the Company will actively attend training courses in 2018 to comply with the related regulations. The Chairman and the General Manager of the Company is the same person. The Company failed to purchase liability insurance for Directors and Supervisors, disclose communication between Independent Directors, the internal auditor officer, and the CPAs, provide English financial statements or establish an English website, voluntarily disclose the compensation paid to each director and each supervisor, convene at least two investor conferences, disclose a clear dividend policy, set up a unit to be in charge of ethical corporate management and report to the Board of Directors on a regular basis, formulate policies pertaining to energy conservation and carbon reduction, disclose CO2 emissions, or disclose the whistle-blowing 	The Company will implement improvements according to the state of improvement specified in the summary.

Assessed Items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Causes of the Said Gaps
	Yes	No	Summary	
			<p>system.</p> <p>State of improvement: The Company will, by considering internal policies and costs of implementation, carry out the items as required.</p> <p>5. The Company failed to disclose the implementation of the policy of diversity, future research and development plans and estimated budgets for research and development, or the working environment and safeguards for the safety of employees, and failed to set up a stakeholders' area to address CSR topics.</p> <p>State of improvement: The Company will disclose the aforesaid issues in the annual report for 2018 and on the company website.</p>	

(4) Composition, duties, and operations of remuneration committee:

A. Information on the members of 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 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	Lee, Mao	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent director	Jeffrey Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Other	Ted 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 enterprise.
- (2) Not a director or supervisor of the company or an affiliated enterprise. 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 enterprises, 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*.

B. Operations of remuneration committee

a. The remuneration committee composed of 3 members.

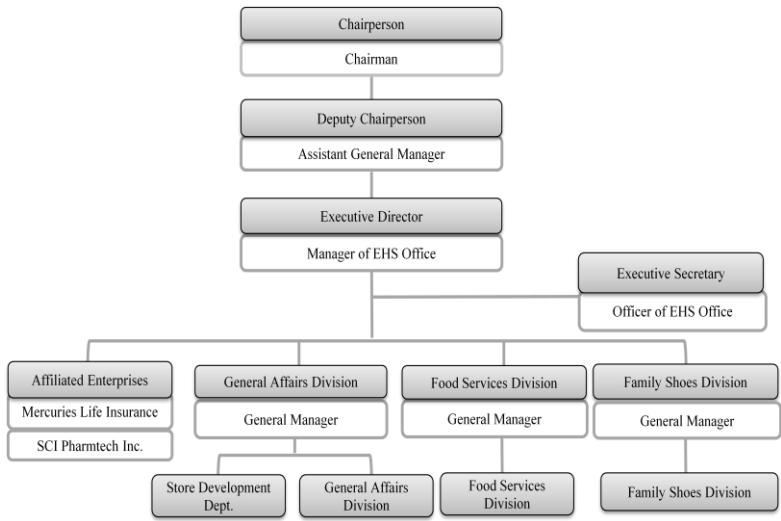
b. Duration of the current term of service: July 2, 2015 to June 23, 2018. In the latest fiscal year (2017), a total of 2 remuneration committee meetings were held. The following lists member qualifications and presence for these meetings:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in preson (%)	Note
Committee chair	Lee,Mao	2	0	100%	-
Member	Jeffrey Chen	1	1	50%	-
Member	Ted Tu	1	1	50%	-

Other items that shall be recorded:

1. If the board of directors choose not to adopt or revise recommendations proposed by remuneration committee, the date, session, contents discussed, and resulting resolutions of the board meeting, and the Company's disposition of opinions provided by remuneration committee shall be described in detail (also, where the salary and remuneration approved by the board meeting is better than that recommended by remuneration committee, the differences and the reason for the approval shall be described in detail): None.
2. Where resolutions of the 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) The state of the Company's performance of corporate social responsibilities:

Assessed Items	State of Operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies 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 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>	V		<p>(1) The Company has established the Corporate Social Responsibility Best Practice Principles and made the 2017 CSR Report available in the stakeholders' area on the company website. The scope of the 2017 CSR report includes the Company's main subsidiaries, namely Mercuries & Associates, Ltd., Napoli Co., Ltd., Mercuries Life Insurance Co., Ltd., and SCI Pharmtech, Inc. Mercuries Life Insurance Co., Ltd. and SCI Pharmtech, Inc. have prepared their own CSR reports, so the report and the following assessed items mainly cover Mercuries & Associates, Ltd. and Napoli Co., Ltd. For the CSR reports of Mercuries Life Insurance Co., Ltd. and SCI Pharmtech, Inc., refer to the CSR area on their company websites.</p> <p>(2) The Company continuously promotes corporate governance principles and social responsibilities and obligations through regular meetings, and makes CSR reports available on internal and external websites.</p> <p>(3)</p> 	<p>None.</p> <p>None.</p> <p>None.</p>

Assessed Items	State of Operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Root Causes
	Yes	No	Summary	
(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?	V		<p>The Company's CSR Committee is responsible to implement and supervise CSR activities. The Chairman of the Company acts as the chairperson, and the Vice President of the Company acts as the vice chairperson. The chairperson and the vice chairperson of the CSR Committee are responsible to resolve on related proposals. The manager of the Occupational Safety Office acts as the executive director, who is responsible to plan CSR activities and follow up progress. The Company has set up a CSR area on the company website to facilitate instant communication with stakeholders. The CSR Committee is responsible to respond to and process stakeholders' opinions quickly.</p> <p>(4) The Employee Handbook of the Company contains clear descriptions of employee performance assessments and standards for rewards and penalties. The Company also shares its revenue with employees and ensures that employees' salaries grow with business performance, so as to fulfill its corporate social responsibility.</p>	None.
2. Developing a sustainable environment				
(1) Is the Company committed to improving usage efficiencies of resources? Does the Company use renewable resources with reduced environmental impacts?	V		(1) To promote environmental protection and support green procurement, purchasing activities of the Company prioritized products with green or energy saving labels as well as multiple-use products. The Company also reduced the purchasing of single-use products, initiated measures for waste sorting and resource recycling, and made dedicated efforts in process improvements to recycle and reuse solvents.	None.
(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	V		(2) A dedicated unit was assigned to maintain office and working environments. Cleaning companies or professionals were also commissioned to maintain environmental cleanliness. Each subsidiary of the Company also strived to optimize the environmental management system. In 2017, Mercuries & Associates, Ltd. passed the certification of ISO50001.	None.
(3) Is the Company concerned with changes in the global climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and stipulated strategies for reducing energy consumption, carbon emissions, and GHG production?	V		(3) To support energy saving and carbon reduction, the Company promoted paper recycling and reuse as well as paper-free measures within offices. Indoor temperature was under centralized control to reduce GHG emissions. In 2017, ISO50001 was introduced to Mercuries Beef Noodle Restaurant Yitong Store. Compared to 2016, the turnover generated per kWh increased 14%. The Company also implemented the energy-saving action plan by turning off unused lights for an hour during the lunch break, reaching the annual energy-saving target of 1%.	None.
3. Sustaining community services				

Assessed Items	State of Operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Root Causes
	Yes	No	Summary	
(1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	V		(1) The Company recruited employees in a fair manner and hired people with disabilities and re-employed women according to the Labor Standards Act and related regulations to protect employees' rights. The Company respects the basic human rights of employees. The Company hires employees based on their education and work experience and treats every employee fairly regardless of nationality, political party, race, religion, gender, age, and disability. The Company bans the use of child labor or employees under 16 years old in compliance with related labor laws and regulations. The Company recruits employees through open channels, such as job banks, and fully discloses job vacancies to fulfill its policy of equal employment.	None.
(2) Has the Company established employee appeal system and channels? Are employee appeals handled appropriately?	V		(2) The Company has published an appeal handling flowchart and appeal channels on its website, and has not received stakeholder complaints in 2017.	None.
(3) Has the Company provided employees safe and healthy working environments? Are employees given regular training courses on health and safety?	V		(3) The Company has provided employees safety and health insurance and established the Employee Welfare Committee. The Group strives to create a safe and healthy workplace by reviewing and improving the working environment regularly and preventing occupational diseases. To control and promote occupational safety and health in each business unit, the Company meets with each contact window every three months to understand the progress and propose corrective measures. In 2017, the Company and its 535 stores were awarded the Badge of Accredited Healthy Workplace by Health Promotion Administration. In 2017, the Company was also granted the Outstanding Occupational Safety Award by Department of Labor, Taipei City Government.	None.
(4) Has the Company established a system to regularly communicate with its employees? Are appropriate means used to notify employees of operational changes that may result in material impacts?	V		(4) Internal communication channels are well-developed. Employees may discuss doubts about work or life with supervisors at any time. The Group convenes a labor-management meeting every quarter on a regular basis to negotiate the rights and interests of both parties. The Company's operation and internal training programs are reported in the meeting. The Group strengthens labor-management communication through the intranet, message boards of each department, and routine meetings to maintain good labor relations. In case of operational changes that may seriously affect employees' rights, the Company will inform employees of related information at the shortest notice in accordance with the Labor Standards Act to protect employees' rights.	None.

Assessed Items	State of Operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Root Causes
	Yes	No	Summary	
(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. Employees are provided with training courses based on their positions, and training courses are developed based on the organizational development, including internal lecturer training, management training, and professional training. Training is provided based on the concept of lifelong learning. Through a series of in-service training courses, employees can acquire core functions required for promotion. In addition, an e-learning platform is established to offer diverse and flexible learning environments that improve efficiency and competence. In 2017, there were 60,412 trainees in total.	None.
(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 liability insurance. The Company also upholds the customer-first approach, and has established a 0800 customer service hotline to respond to feedback immediately, improve the quality of service, and ultimately maximize customer satisfaction.	None.
(7) Is the Company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?	V		(7) To protect consumers' rights, each product is clearly labeled to let consumers understand the product information according to the Commodity Labeling Act. The Company reviews the legitimacy of trademarks on a regular basis and sets up a traceability system to effectively manage raw materials and labels. All products are marked with place of origin, date of manufacture, and ingredients. The Company strictly requests suppliers to ensure the sources and quality of products and comply with related laws and regulations without infringing upon others' intellectual property rights.	None.
(8) Has the Company assessed environmental and social impact records of a supplier before engaging in commercial dealings with the said supplier?	V		(8) The Company attaches great importance to social responsibilities and environmental protection, and selects suppliers that share the same value of trust. To ensure the stable quality of products, the Company regularly assesses suppliers for adequacy based on the established standards for supplier selection. Family Shoes business unit has set up the standards for supplier management. After assessments, only suppliers that are qualified will be included in the List of Suppliers. A supplier's impact on the environment and society is assessed as follows: A. Whether a supplier has a license to operate.	None.

Assessed Items	State of Operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Root Causes
	Yes	No	Summary	
(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 caused significant impacts on the environment and society?	V		<p>B. Whether materials used by a supplier comply with regulatory requirements. Suppliers shall be able to or use related software or hardware to dispose of pollutants that may be generated from production. Food suppliers shall be legally registered companies (dealers or importers) or factories; in addition, ingredients or suppliers certified, by CAS (Certified Agricultural Standards), TAP (Traceable Agriculture Product), TQF (Taiwan Quality Food Association), or ISO22000 & HACCP (Food Safety Management System) for example, are prioritized.</p> <p>(9) All suppliers are required to comply with integrity-related policies established by the Company, and contracts will be immediately terminated for any violations of those policies in order to achieve reasonable quotations, best quality, and to allow both the suppliers and the Company to jointly achieve the goals of improving the fulfillment of corporate social responsibilities.</p> <p>In Family Shoes Business Unit, the supplier contract clearly specifies that Family Shoes Business Unit may terminate the contract with the supplier at any time if the supplier violates the CSR policy, and such a violation has a significant impact on the environment and society.</p>	None.
4. Improvement of information disclosure (10) Does the Company disclose relevant and reliable information pertaining to CSR on its official website or the Market Observation Post System (MOPS)?	V		The Company has established the company website and disclosed CSR reports and related information in the CSR area; the Company also has a spokesperson system and appoints a person to be in charge of disclosing information collected.	None.
5. Where the Company has stipulated its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company:				
6. Any important information useful for understanding the state of CSR operations:				
(1) To fulfill the principle of giving back to society, the Company calls on employees to participate in social welfare activities as volunteers. The Company organizes the Mercuries Cup Road Race, the Mercuries Taiwan Masters Invitational Golf Tournament, and Chinese Slow Pitch Softball Association events with its sponsors every year to promote sports activities. In 2017, the Company was awarded Sports Activist by the Sports Administration, Ministry of Education.				
(2) Mercuries Life Insurance Co., Ltd. actively promoted microinsurance to provide the disadvantaged basic personal protection with less premium; the health promotion program was also initiated to help children develop correct health concepts.				
(3) Catering Business Unit provided meals for elementary schools, preschools, or special education schools in remote areas (including Hualien, Pingtung, Yilan, and even Alishan) once to thrice every month.				
(4) Since its establishment, Family Shoes became a participant of the Single Shoes Bank to benefit those with only one leg.				
(5) The Company organized 2017 International Conference on Chinese Food Culture featuring food and the environment, and provided thesis scholarships and subsidies for overseas cooking				

Assessed Items	State of Operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Root Causes
	Yes	No	Summary	
competitions.				
(6) Charity donations were made every now and then to care for the underprivileged. The Company actively worked with the government to promote policies on environmental protection as well as energy saving and carbon reduction to fulfill its corporate social responsibility.				
7. Any review standards of certification bodies that the Company's CSR report has been qualified for shall be described: The 2016 CSR Report was not certified by any certification body. The 2017 CSR Report is expected to be published in June 2018.				

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

Assessed Items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and Causes of the Said Gaps
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management (1) Has the Company clearly indicated policies and activities pertaining to ethical corporate management in its bylaws and external documents, and are the Company's Board of Directors and management actively fulfilling their commitment to corporate policies? (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? (3) Has the Company established preventive measures for the items prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies or business activities with a higher risk of being involved in unethical conduct within the Company's scope of business?	V V V		(1) All contracts and laws governing the Company's transactions and dealings with external parties have been implemented in good faith. The Board of Directors has also stipulated the Ethical Corporate Management Best Practice Principles as the basis for ethical corporate management. (2) The Company has stipulated the Ethical Corporate Management Best Practice Principles and has an internal control system (ICS) and an employees' Code of Conduct that provide constant reminders for upholding the principle of good faith. Relevant measures based on these principles have been taken accordingly. (3) 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 the personnel of the auditing department. High level supervisors also initiate unannounced visits with the suppliers to prevent or uncover similar accidents.	None. None. None.
2. Implementing ethical corporate management (1) Has the Company evaluated ethical records of its counterpart? Does the contract signed by the Company and its trading counterpart clearly provide terms on ethical conduct? (2) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answers to the Board of Directors? Does the said unit regularly report to the Board of Directors on the state of its activities? (3) Has the Company established policies preventing conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly? (4) Has the Company established effective accounting systems and	V V V	 V	(1) The Company tends to blacklist any supplier without ethical conduct. All external contracts are reviewed by our legal department. All contractual terms are also stipulated according to ethical principles. (2) The Company has established a dedicated unit for promoting ethical corporate management; however, the Company has not yet appointed a dedicated person to be in charge of corporate governance and report to the Board of Directors on a regular basis. (3) The Company upholds the Ethical Corporate Management Best Practice Principles and the ICS to meet independence and mutual auditing requirements, plan the employees' duties and responsibilities, and properly prevent any conflict of interest. (4) Regular or unannounced audits of every business cycle are carried out	None. The Company will carefully evaluate and plan the procedures and measures for appointing a dedicated person to be in charge of corporate governance. None. None.

Assessed Items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and Causes of the Said Gaps
	Yes	No	Summary	
<p>internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit department or commissioned to the CPAs?</p> <p>(5) Does the Company regularly organize internal and external training courses on ethical corporate management?</p>	V		<p>by internal auditors to assess the fulfillment of related systems.</p> <p>(5) To ensure the proper implementation of ethical corporate management and to ensure that such principles are ingrained within the corporate culture, the Company has uploaded relevant regulations to the intranet to be perused by employees, and constantly announces regulations pertaining to ethical corporate management in meetings.</p>	None.
<p>3. Status for enforcing whistle-blowing systems in the Company</p> <p>(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 reported by the whistle-blower?</p> <p>(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case reported by the whistle-blower?</p> <p>(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistle-blower?</p>	V		<p>(1) The Company 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.</p> <p>(2) The Company has established an investigation procedure for cases reported by the whistle-blower. Regulations also require supervisors to maintain the confidentiality of a person who is the party to the case.</p> <p>(3) The Company also maintains the confidentiality of the whistle-blowers to protect them from inappropriate disciplinary actions as a result of their whistle-blowing.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p>4. Improvement of information disclosure</p> <p>(4) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities on its official website or the Market Observation Post System (MOPS)?</p>	V		<p>(1) The Board of Directors of the Company has stipulated the Ethical Corporate Management Best Practice Principles and disclosed these principles on its official website and the MOPS.</p>	None.
5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, 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, the Company also required suppliers to fulfill the principle of good faith during routine business activities and management practice. On March 23, 2018, the Company adopted the latest amended Ethical Corporate Management Best Practice Principles.				

(7) Access to the Corporate Governance Best Practice Principles and related regulations:

A. The Company's related regulations are as follows:

Work Rules
Rules and Procedures of Shareholders Meeting
Rules for Election of Directors
Rules and Procedures of Board of Director Meetings
Codes of Ethical Conduct
Ethical Corporate Management Best Practice Principles
Procedures for Handling Material Inside Information and Preventing Insider Trading
Audit Committee's Charter
Remuneration Committee's Charter
Corporate Social Responsibility Best Practice Principles
Corporate Governance Best Practice Principles

B. Available on: Market Observation Post System and company website: <http://www.mercuries.com.tw>

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

A. Risk management policy

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

B. Structure of the risk management organization:

Risk management within The Company was assigned to relevant management departments according to their respective duties and roles:

- a. Chairman's Office: Responsible for business decision-making and planning to achieve the desired business results and efficiency and reduce strategic risks; responsible for managing legal risks, ensuring compliance with supervisory policies, and handling relevant contractual disputes and litigation to reduce legal risks.
- b. General Administration Division: Responsible for managing corporate asset risks, evaluating mid-term and long-term investment benefits, financial operations, and allocations, and establishing hedging systems to ensure the reliability of financial statements; responsible for maintaining compliance with government regulations to ensure sustainable management and integrity of corporate assets.

C. Training of the Company's directors and supervisors in 2017:

Title	Name	Date of Appointment	Date of First Appointment	Training Date		Organizer	Course Name	Number of Training Hours	Total Training Hours
				Start Date	End Date				
Corporate Director Representative	Chen,Shiang-Li	2015/06/24	1997/05/08	2017/10/19	2017/10/19	Taiwan Corporate Governance Association	Securities Regulations and Directors' and Supervisors' Responsibilities - A Case Study of XPEC Entertainment	3	6
				2017/09/13	2017/09/13	Taiwan Academy of Banking and Finance	Operating practice of board of directors and supervisors and corporate governance class	3	
Corporate Director Representative	Wang,Hsien-Chang	2015/06/24	1997/05/08	2017/11/14	2017/11/14	Taiwan Academy of Banking and Finance	Operational Practice of Directors and Supervisors and Corporate Governance	3	6
				2017/07/07	2017/07/07	Securities and Futures Institute	Seminar on Legal Compliance for Insider's Equity Trading of TWSE/TPEX Listed Companies	3	
Corporate Director Representative	Chen,Shiang-Chung	2015/06/24	2014/01/15	2017/11/14	2017/11/14	Taiwan Academy of Banking and Finance	Operational Practice of Directors and Supervisors and Corporate Governance	3	9
				2017/08/04	2017/08/04	Taiwan Corporate Governance Association	A Case Study of Knowledge Management	3	
				2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Industry 4.0-based Business Operation	3	
Director	Wong,Wei-Chyun	2015/06/24	2012/06/05	2017/10/19	2017/10/19	Taiwan Corporate Governance Association	Regulations and Directors' and Supervisors' Responsibilities - A Case Study of XPEC Entertainment	3	6
				2017/07/07	2017/07/07	Securities and Futures Institute	Seminar on Legal Compliance for Insider Equity Trading	3	
Corporate Director Representative	Mao,Ming-Yu	2015/06/24	1997/05/08	2017/11/14	2017/11/14	Taiwan Academy of Banking and Finance	Operational Practice of Directors and Supervisors and Corporate Governance	3	9
				2017/11/02	2017/11/02	Taiwan Securities Association	Big Data Analysis and Application in the Financial Sector	3	
				2017/07/14	2017/07/14	Securities and Futures Institute	Seminar on Legal Compliance for Insider's Equity Trading of TWSE/TPEX Listed Companies	3	
Corporate Director Representative	Yang,Li-Yun	2015/06/24	2009/06/19	2017/11/02	2017/11/02	Taiwan Securities Association	Big Data Analysis and Application in the Financial Sector	3	3
Director	Fang,Cheng-Yi	2015/06/24	1983/10/03	2017/11/14	2017/11/14	Taiwan Academy of Banking and Finance	Operational Practice of Directors and Supervisors and Corporate Governance	3	6
				2017/07/21	2017/07/21	Taiwan Corporate Governance Association	Important Topics on the Latest Amendments to the Company Act	3	
Independent Director	Lee,Mao	2015/06/24	2015/06/24	2017/11/14	2017/11/14	Taiwan Academy of Banking and Finance	Operational Practice of Directors and Supervisors and Corporate Governance	3	12
				2017/11/02	2017/11/02	Taiwan Securities Association	Big Data Analysis and Application in the Financial Sector	3	
				2017/10/19	2017/10/19	Securities and Futures Institute	Corporate Financial Crisis Early Warning and Type Analysis	3	
				2017/07/07	2017/07/07	Securities and Futures Institute	Seminar on Legal Compliance for Insider's Equity Trading of TWSE/TPEX Listed Companies	3	
Independent Director	Jeffrey Chen	2015/06/24	2015/06/24	2017/12/29	2017/12/29	Taiwan Corporate Governance Association	Mergers and Acquisitions from Directors' Perspective	3	6
				2017/09/06	2017/09/06	Taiwan Corporate Governance Association	How to Strengthen Risk Management and Crisis Management	3	
Supervisor	Cheng,I-teng	2015/06/24	2012/06/05	2017/11/14	11/14/2017	Taiwan Academy of Banking and Finance	Operational Practice of Directors and Supervisors and Corporate Governance	3	6
				2017/07/14	07/14/2017	Securities and Futures Institute	Seminar on Legal Compliance for Insider's Equity Trading of TWSE/TPEX Listed Companies	3	
Supervisor	Liu,Chien-Chih	2015/06/24	2012/06/05	2017/12/13	2017/12/13	Taiwan Academy of Banking and Finance	Corporate Governance	3	6
				2017/11/02	2017/11/02	Taiwan Securities Association	Big Data Analysis and Application in the Financial Sector	3	

D. Certificates obtained by persons concerning the transparency of financial information as required by the competent authorities:

Title	Name	Training Date		Organizer	Course Name	Training Hours	Total Training Hours
		Start Date	End Date				
Principle accounting officer	Chen,Te-Kai	2017/05/19	2017/05/19	Accounting Research and Development Foundation	Key Topics on International Financial Money Laundering Crimes and Legal Liabilities	3	12
		2017/10/03	2017/10/03		Practice of Application of IFRS 9 Financial Instruments	3	
		2017/11/10	2017/11/10		Practice of Application of IFRS 15 Revenue Recognition in 2018	3	
		2017/11/13	2017/11/13		Seminar on the Preparation for Consolidated Financial Statements: Consolidated Statement of Comprehensive Income and Income Tax	3	

(9) Implementation of the internal control system

A. Statement on internal controls

MERCURIES & ASSOCIATES HOLDING, LTD.

Statement of Internal Control System

Date: March 23, 2018

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2017:

1. The Company has achieved full understanding that the establishment, implementation, and maintenance of the internal control system (ICS) are the responsibilities of the Company's Board of Directors and managerial officers, and have established the said system accordingly. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. All ICS are bound by natural limitations and regardless of the robustness of designs, effective ICS can only provide reasonable assurance for the 3 objectives listed above. Changes to the environment and status will also affect the effectiveness of internal control systems. However, The Company's internal control system has been furnished with self-monitoring systems. The Company shall also initiate corrective actions for any verified defects.
3. The Company shall refer to the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (hereinafter referred to as "ICS Regulations") to stipulate assessment items for determining the effectiveness of the ICS as well as the performance of the designs and implementation of the system. The ICS is divided into 5 key components according to the process of management control to generate ICS assessment items used by ICS Regulations, namely: (1) Control environment; (2) risk assessment; (3) control activities; (4) information and communications and; (5) monitoring activities. Each key component also includes a number of sub-items. For the aforementioned items, please refer to the provisions provided in the ICS Regulations.
4. The Company has already adopted the aforementioned ICS assessment items to *evaluate* the effectiveness of ICS design and implementation.
5. The Company has referred to the results of the aforementioned assessments and *determined* that the Company's ICS of December 31, 2017 (including monitoring and management of its subsidiaries), including the Company's understanding of the level of effectiveness and efficiency of business operations achieved, the reliability, timeliness, transparency, and regulatory compliance of reporting, the compliance with applicable laws, regulations, and by laws, 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 the Company's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contain misrepresentations, nondisclosures, or other illegal acts, the Company shall be subject to legal responsibilities provided in Articles 20, 32, 171 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 23, 2018. Amongst the 8 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.

Chairman and General Manager: Chen,Shiang-Li

- B. Any CPAs commissioned according to 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 the Company and its employees, or any penalty, major defects, and state of improvements enacted by the Company upon its employees for violating the regulations of the ICS in the most recent year up to the printing date of this Annual Report: None.
- (11) Major resolutions and state of implementation of the shareholders' meeting and the Board of Directors in the most recent year up to the printing date of this Annual Report:
- A. Major resolutions of the shareholders' meeting and state of implementation in 2017:
- The 2017 annual general meeting of the Company was held on June 22, 2017 on 20F., No.145, Section 2, Jianguo North Road, Taipei City (Mercuries Tower). The following lists the resolutions by the shareholders present in the meeting and corresponding state of implementation:
- I. Ratification Items
- Propose 1
- Proposal: Please ratify the 2016 business report and financial statements.
- Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.
- Propose 2
- Proposal: Please ratify the 2016 earnings distribution.
- Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.
- II. Discussion Items:
- Propose 1
- Proposal: Please discuss the amendment to the Company's Articles of Incorporation.
- Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.
- Propose 2
- Proposal: Please discuss the amendment to the Company's Procedures for Acquisition and Disposal of Assets.
- Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.
- Propose 3
- Proposal: Please discuss the issuance of new shares for capital increase by earnings recapitalization.
- Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.
- Note: For the details of meeting minutes, meeting handbook, and supplementary information on the shareholders' meeting, please visits the Market Observation Post System (MOPS) at <http://mops.twse.com.tw>.

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

- a. Proposal for earnings distribution: August 28, 2017 was selected as the record date for distribution while the date for actual distribution was September 22, 2017 (cash dividend per share and stock dividend per share were set to NT\$0.7 and NT\$0.7 respectively). The amount to be distributed was the same as the amount adopted by resolution in the shareholders' meeting.
- b. The Company has taken related action according to the amended Articles of Incorporation and the Procedures for Acquisition and Disposal of Assets adopted in the shareholders' meeting.
- c. All resolutions from the 2017 shareholders' meeting have been implemented accordingly.

C. List of key resolutions of the Board meeting

Date of Key Resolution	Content of Key Resolution	Result of Key Resolution
12th Meeting of the 18th Board of Directors January 17, 2017	<p>Report Items</p> <p>(1) Internal audit report.</p> <p>(2) Board of Directors evaluation report.</p> <p>Discussion Items</p> <p>(1) Remuneration of the Company's managerial officers.</p>	<p>Unanimously approved by all Directors present in the meeting (Chen, Shiang-Li did not participate in the vote due to the conflict of interests).</p> <p>Opinions of Independent Directors: None.</p> <p>Disposal of opinions of Independent Directors: None.</p>
13th Meeting of the 18th Board of Directors March 30, 2017	<p>Report Items</p> <p>(1) Internal audit report.</p> <p>(2) Capital increase by cash and subscription to Powertec Energy Corporation.</p> <p>Ratification Items</p> <p>(1) Ratification of 2016 business report and financial statements.</p> <p>Discussion Items</p> <p>(1) The Company's statement of internal control for 2016.</p> <p>(2) The Company's budget for 2017.</p> <p>(3) Application for line of credit with the bank.</p> <p>(4) Amendment to the Company's Articles of Incorporation.</p> <p>(5) Amendment to the Company's Procedures for Acquisition and Disposal of Assets.</p> <p>(6) Cancellation of restricted employee stocks and capital reduction.</p> <p>(7) Remuneration for the Company's Directors, Supervisors, and employees.</p> <p>(8) The Company's 2016 earnings distribution.</p> <p>(9) Convention of the 2017 annual general 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 Independent Directors: None.</p> <p>Disposal of opinions of Independent Directors: None.</p>
14th Meeting of the 18th Board of Directors May 12, 2017	<p>Report Items</p> <p>(1) The Company's consolidated financial statements for the first quarter of 2017 and 2016.</p> <p>(2) Internal audit report.</p> <p>(3) Proposals raised in the shareholders' meeting.</p> <p>Discussion Items</p> <p>(1) Cancellation of restricted employee stocks and capital reduction.</p> <p>(2) Convention of the 2017 annual general meeting.</p>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Opinions of Independent Directors: None.</p> <p>Disposal of opinions of Independent Directors: None.</p>
15th Meeting of the 18th Board of Directors May 26, 2017	<p>Report Items</p> <p>(1) Restructuring of Mercuries & Associates, Ltd. due to spin-off of its daily commodities and consumer good retailer franchises business.</p> <p>(2) Capital reduction of Mercuries & Associates, Ltd. due to spin-off.</p> <p>(3) Assignment and issuance of new shares of Simple Mart Retail Co., Ltd.</p>	
16th Meeting of the 18th Board of Directors July 12, 2017	<p>Report Items</p> <p>(1) Internal audit report.</p> <p>(2) The Company and Asahi Group entered into a letter of intent to terminate the joint venture.</p> <p>Discussion Items</p> <p>(1) Disposition of equity of United Developers of Taiwan Pte Ltd. and Shanghai Kunlun Taiwan Shopping Mall., Ltd.</p> <p>(2) Capital increase by cash and subscription to Mercuries Life Insurance Co., Ltd.</p> <p>(3) Application for line of credit with the bank.</p>	<p>Unanimously approved by all Directors present in the meeting.</p> <p>Opinions of Independent Directors: None.</p> <p>Disposal of opinions of Independent Directors: None.</p>

Date of Key Resolution	Content of Key Resolution	Result of Key Resolution
17th Meeting of the 18th Board of Directors August 4, 2017	Discussion Items (1) The ex-right and ex-dividend Internal audit report record dates for the distribution of cash dividends from earnings and increase by earnings recapitalization. (2) Cancellation of restricted employee stocks and capital reduction.	Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.
18th meeting of the 18th Board of Directors August 14, 2017	Report Items (1) The Company's consolidated financial statements for the second quarter of 2017 and 2016. (2) Internal audit report.	
19th Meeting of the 18th Board of Directors November 17, 2017	Report Items (1) Business report. Discussion Items (1) The Company plans to acquire the ordinary shares of Asahi & Mercuries Co., Ltd. held by Asahi Group Holdings, Ltd.	Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.
20th Meeting of the 18th Board of Directors November 14, 2017	Report Items (1) The Company's consolidated financial statements for the third quarter of 2017 and 2016. (2) Internal audit report. Discussion Items (1) Evaluation of the independence of the Company's CPAs. (2) Syndicated loans by O-Bank. (3) Application for line of credit with the bank. (4) Cancellation of restricted employee stocks and capital reduction.	Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.
21st Meeting of the 18th Board of Directors December 22, 2017	Report Items (1) Disposition of equity of United Developers of Taiwan Pte. Ltd. and Shanghai Kunlun Taiwan Shopping Mall., Ltd. (2) Internal audit report. Discussion Items (1) The Company's endorsements and guarantees. (2) Amendment to the Company's Regulations Governing Self-Evaluation or Peer Evaluation of the Board of Directors (3) The Company's 2018 internal audit plan. (4) The Company's 2018 Board meeting schedule.	Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.
22nd Meeting of the 18th Board of Directors January 31, 2018	Report Items (1) Internal audit report. (2) Board of Directors evaluation report. Discussion Items (1) Remuneration of the Company's managerial officers. (2) Application for line of credit with the bank.	Propose 1: Unanimously approved by all Directors present in the meeting (Shiang-li Chen did not participate in the vote due to the conflict of interests). Propose 2: Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.
23rd Meeting of the 18th Board of Directors March 23, 2018	Report Items (1) Internal audit report. (2) Adoption of IFRS16 Leases. (3) Capital increase by cash and subscription to Powertec Energy Corporation. Ratification Items (1) Ratification of 2017 business report and financial statements. Discussion Items	Unanimously approved by all Directors present in the meeting.

Date of Key Resolution	Content of Key Resolution	Result of Key Resolution
	(1) The Company's statement of internal control for 2017. (2) The Company's budget for 2018. (3) Application for line of credit with the bank. (4) Capital increase by cash for Sanyou Drugstores, Ltd. (5) The establishment of the Audit Committee and its Charter (6) Amendment to the Company's Articles of Incorporation and abolishment of the Procedures for Derivatives Trading. (7) Cancellation of restricted employee stocks and capital reduction. (8) Remuneration for the Company's Directors, Supervisors, and employees. (9) The Company's 2017 earnings distribution. (10) Nomination of the Company's Directors and Independent Directors. (11) Convention of the 2018 annual shareholders' meeting.	Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.
24th Meeting of the 18th Board of Directors May 11, 2018	Report Items (1) The Company's consolidated financial statements for the first quarter of 2018 and 2017. (2) Business report. (3) Internal audit report. (4) Proposals raised in the shareholders' meeting. Discussion Items (1) The Company disposal some shareholding and forfeit of the subscription right upon cash capital increase of Simple Mart Retail Co., Ltd.(Simple Mart) (2) The Company plans to reduce its shareholding of Simple Mart by more than 10%. (3) Application for line of credit with the bank. (4) Evaluation of the independence of the Company's CPAs and audit fees for 2018. (5) The Board's review of nominated Directors and Independent Directors. (6) Cancellation of restricted employee stocks and capital reduction. (7) Amendment to the Company's Procedures for Trading with Specific Companies, Groups, and Related Parties. (8) Convention of the 2018 annual shareholders' meeting.	Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.

D. List of proposals of the remuneration committee

Time	Content of Proposal	Result of Resolution
3rd Meeting of the 3rd Remuneration Committee (January 17, 2017)	Discussion Items: (1) 2016 year-end bonuses for managerial officers (paid in 2017).	Unanimously approved by all members present in the meeting.
4th Meeting of the 3rd Remuneration Committee (March 30, 2017)	Discussion Items: (1) 2016 remuneration for the Company's Directors and Supervisors (paid in 2017).	Unanimously approved by all members present in the meeting.
5th Meeting of the 3rd Remuneration Committee (January 31, 2018)	Discussion Items: (1) 2017 year-end bonuses for managerial officers (paid in 2018).	Unanimously approved by all members present in the meeting.
6th Meeting of the 3rd Remuneration Committee (March 23, 2018)	Discussion Items: (1) 2017 remuneration for the Company's Directors and Supervisors (paid in 2018).	Unanimously approved by all members present in the meeting.

- (12) Any dissenting opinions on record or stated in a written statement made by Directors or Supervisors regarding key resolutions of the Directors' Meeting in the most recent year up to the publication date of this report: None.
- (13) Any resignation or dismissal of company personnel related to the financial report (such as chairman, general manager, principle accounting officer, principle financial officer, internal audit officer and principle research and development officer) in the most recent fiscal year up to the publication date of this report: None.

5. Information on the CPA's fees:

- (1) Non-audit fee paid to CPA, accounting firm of the CPA and/or any affiliated enterprise of the accounting firm are one quarter or more of the audit fees: 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	Liu,Ke-Yi	Hsu,Kun-Hsi	January 1, 2017 to December 31, 2017	-

Professional charge		Accounting charge	Non-accounting charge
Fee range			
1	Less than NT\$ 2,000,000	-	NT\$ 407,000
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000	-	-
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000	NT\$ 4,900,000	-
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) When non-audit fees paid to the CPAs, the accounting firm of CPAs and/or its affiliated enterprise of the accounting firm are one quarter or more of the audit fees, the amount of both audit and non-audit fees as well as details of non-audit services shall be disclosed: Although the standards have not been reached, the amount has been disclosed voluntarily.

Non-audit Fee					
System Design	Business Registration	Human Resources	Others	Subtotal	Note
-	NT\$140 thousand	-	NT\$267 thousand	NT\$407 thousand	1. Opinion on equity transfer: NT\$67 thousand 2. Supervisors' audit: NT\$50 thousand 3. Review of annual report in the shareholders' meeting: NT\$80 thousand 4. capitalization of earnings: NT\$70 thousand

- (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.
- (5) The Company implements regular evaluate the compliance and independence every year: Self-evaluation by CPA ,and acquires a statement of independent from the CPAs.Assessments for the independence of the CPAs were reviewed and approved by the board meeting of November 14, 2017.Items assessed include: The CPA and his/her

spouse or minor children shall not have any investment, sharing of financial interest, or capital loans, or any of the 22 related items with the Company.

6. Replacement of accountants:

(1) Information on the previous CPA

Date of replacement	July 2, 2015		
Cause and details of the replacement	The Company'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 Internal audit report issued during the 2 most recent fiscal years containing an opinion other than an unqualified opinion	Internal audit reports with amendments and unqualified opinions have been released. Major long-term equity investments evaluated using the equity method has 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	Liu, Ke-Yi and Hsu, Kun-Hsi
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 chairman, 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	2017		As of April 24, 2018	
		Additional (reduction) of shares held	Additional (reduction) of shares pledged	Additional (reduction) of shares held	Additional (reduction) of shares pledged
Chairman / Major shareholders	Shanglin Investment	10,305,747	(880,000)	0	11,160,000
Corporate representative of the chairman / Managerial officer	Chen,Shiang-Li	1,381,461	0	0	(250,000)
Corporate representative of the director	Mao,Ming-Yu	311,192	0	0	0
Corporate representative of the director	Wang,Hsien-Chang	32,002	0	0	0
Corporate representative of the director	Chen,Shiang-Chung	2,290,595	0	0	0
Director	Wong,Wei-Chyun	368,627	0	0	0
Director	Fang,Cheng-Yi	389,975	0	0	0
Corporate representative of the director	Yang,Li-Yun	29,690	0	0	0
Independent director	Lee,Mao	(38,850)	0	0	0
Independent director	Jeffrey Chen	0	0	0	0
Supervisor / Major shareholder	Shuren Investment	7,106,751	0	0	0
Corporate representative of the supervisor	Liu,Chien-Chih	0	0	0	0
Supervisor	Cheng,I-teng	0	0	0	0
Managerial officer	Wang,Chih-Hua	10,139	0	0	0
Managerial officer	Chen,Te-Kai	3,629	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 transfers in the event that the said counterparty is a related party: None.

(3) Information of the counterparty of equity pledge in the event that the said counterparty is a related party: None.

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:

Relationship information between the 10 largest shareholders

April 24, 2018

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 Investment Representative: Hsu,Chang-Hui	157,530,708	20.58%	-	-	-	-	-	-	-
Shuren Investment Representative: Wong,Chau-Shi	108,631,770	14.19%	-	-	-	-	Shufeng Investment	Same person as the chairman	-
Shufeng Investment Representative: Wong,Chau-Shi	38,451,946	5.02%	-	-	-	-	Shuren Investment	Same person as the chairman	-
Mercury Fu Bao Co., Ltd. Representative: Wang,Hsien-chang	37,024,378	4.84%	-	-	-	-	-	-	-
Shanghong Investment. Representative: Chen,Shiang-Li	30,038,221	3.92%	-	-	-	-	Chen,Shiang-Li	Chairman of this company	-
Chen,Shiang-Li	21,116,619	2.76%	-	-	-	-	Shanghong Investment Pension fund management committee of the Mercuries & Associates, Ltd.	Chairman of this company Representative of the committee	-
New employee pension fund	19,023,717	2.49%	-	-	-	-	-	-	-
Pension fund management committee of Mercuries & Associates, Ltd. Representative: Chen,Shiang-Li	17,392,837	2.27%	-	-	-	-	Chen,Shiang-Li	Representative of the committee	-
Wong,Chau-Shi	16,572,783	2.17%	15,286,545	2.00%	-	-	Yang,Chun-Hui	Spouse	-
Yang,Chun-Hui	15,286,545	2.00%	16,572,783	2.17%	-	-	Wong,Chau-Shi	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 institutional shareholders 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, 2018 Other companies invested by the Company (Note)	Investments by the Company		Investments by the Directors, Supervisors, managerial officers, and companies directly or indirectly controlled by the Company		Total investments	
	Shares	Percentage of shares	Shares	Percentage of shares	Shares	Percentage of shares
Mercuries & Associates, Ltd	55,000	100.00%	0	0.00%	55,000	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 Co., Ltd.	828,535	43.14%	299,314	15.59%	1,127,849	58.73%
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	2.54%	27,257	34.44%
Mercuries Furniture Co., Ltd.	18,000	100.00%	0	0.00%	18,000	100.00%
WAYIA.COM INC.	380	1.81%	12,610	60.04%	12,990	61.85%
Fuh Hwa Securities Investment Trust Co., Ltd.	1,489	3.28%	16,644	36.71%	18,133	39.99%
Mercuries Bakery Co., Ltd.	3,209	100.00%	0	0.00%	3,209	100.00%
Mercuries Liquor & Food Co., Ltd.	20,000	100.00%	0	0.00%	20,000	100.00%
Mercuries Insurance Agency Co. Ltd.	300	100.00%	0	0.00%	300	100.00%
Sanyou Drugstores, Ltd.	17,500	50.00%	0	0.00%	17,500	50.00%
Mercuries Food Service Co., Ltd.	—	25.31%	—	74.69%	—	100.00%
Tastynoodle Co., Ltd.	—	100.00%	—	0.00%	—	100.00%
Family Shoemart Co., Ltd.	—	86.67%	—	13.33%	—	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%
Simple Mart Retail Co., Ltd. (Note2)	45,100	100.00%	0	0.00%	45,100	100.00%

Note1: The equity method was used to evaluate the Company's long-term investments.

Note2: The employees of Simple Mart Retail exercised the stock option and issued 2,588 thousand new shares on April 26, 2018.

After the capital increase, the shareholding ratio was 94.57%.

IV. Capital Overview

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	-	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	-	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	-	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	-	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\$ 10	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	-	900,000,000	9,000,000	681,380,902	6,813,809	Cancellation of restricted employee stocks for a capital reduction of NT\$ 20,000	None	Note 14
September 2014	-	900,000,000	9,000,000	681,372,902	6,813,729	Cancellation of restricted employee stocks for a capital reduction of NT\$ 80,000	None	Note 15
December 2014	-	900,000,000	9,000,000	681,368,902	6,813,689	Cancellation of restricted employee stocks for a capital reduction of NT\$ 40,000	None	Note 16
May 2015	-	900,000,000	9,000,000	681,358,902	6,813,589	Cancellation of restricted employee stocks for a capital reduction of NT\$ 100,000	None	Note 17
July 2015	-	900,000,000	9,000,000	681,348,902	6,813,489	Cancellation of restricted employee stocks for a capital reduction of NT\$ 100,000	None	Note 18
December 2015	-	900,000,000	9,000,000	681,340,902	6,813,409	Cancellation of restricted employee stocks for a capital reduction of NT\$ 80,000	None	Note 19
March 2016	-	900,000,000	9,000,000	681,339,902	6,813,399	Cancellation of restricted employee stocks for a capital reduction of NT\$ 10,000	None	Note 20
June 2016	-	900,000,000	9,000,000	681,338,902	6,813,389	Cancellation of restricted employee stocks for a capital reduction of NT\$ 10,000	None	Note 21
August 2016	-	900,000,000	9,000,000	681,333,902	6,813,339	Cancellation of restricted employee stocks for a capital reduction of NT\$ 50,000	None	Note 22
August 2016	NT\$ 10	900,000,000	9,000,000	715,400,897	7,154,009	Recapitalization of retained earnings 340,670,000	None	Note 23
December 2016	-	900,000,000	9,000,000	715,398,897	7,153,989	Cancellation of restricted employee stocks for a capital reduction of NT\$ 20,000	None	Note 24
January 2017	-	900,000,000	9,000,000	715,397,897	7,153,979	Cancellation of restricted employee stocks for a capital reduction of NT\$ 10,000	None	Note 25
May 2017	-	900,000,000	9,000,000	715,394,897	7,153,949	Cancellation of restricted employee stocks for a capital reduction of NT\$ 30,000	None	Note 26
June 2017	-	900,000,000	9,000,000	715,392,897	7,153,929	Cancellation of restricted employee stocks for a capital reduction of NT\$ 20,000	None	Note 27
August 2017	-	900,000,000	9,000,000	715,389,897	7,153,899	Cancellation of restricted employee stocks for a capital reduction of NT\$ 30,000	None	Note 28

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
August 2017	10 元	900,000,000	9,000,000	765,467,749	7,654,677	Recapitalization of retained earnings 500,778,000	None	Note 29
December 2017	-	900,000,000	9,000,000	765,461,749	7,654,617	Cancellation of restricted employee stocks for a capital reduction of NT\$ 60,000	None	Note 30
April 2018	-	900,000,000	9,000,000	765,458,749	7,654,587	Cancellation of restricted employee stocks for a capital reduction of NT\$ 30,000	None	Note 31
May 2018	-	900,000,000	9,000,000	765,454,749	7,654,547	Cancellation of restricted employee stocks for a capital reduction of NT\$ 40,000	None	Note 32

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 20: 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: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10601072230 of June 8, 2017; approved by Statement No. 106061901 of June 19, 2017.

Note 28: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10601117060 of August 18, 2017; approved by Statement No. 106082401 of August 24, 2017.

Note 29: Statement entered into force by the Financial Supervisory Commission (FSC) on July 11, 2017; approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10601127890 of September 5, 2017.

Note 30: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10601163570 of November 30, 2017; approved by Statement No. 106120601 of December 6, 2017.

Note 31: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10601040020 of April 18, 2018; approved by Statement No. 107042601 of April 26, 2018.

Note 32: New restricted employee stocks amounting to NT\$ 40,000 was extinguished on May 11, 2018 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, 2018 Unit: Shares

Category of shares	Authorized stock			Note
	Outstanding shares (note)	Unissued shares	Total	
Registered common shares	765,458,749	134,541,251	900,000,000	Outstanding stock of a listed company

(3) Shareholder structure

April 24, 2018 Unit: Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Institutional shareholders	Per individual	Overseas institutions and individuals	Total
Number of individuals	2	4	76	25,065	136	25,283
Shares held	19,023,721	33,296	415,208,105	266,271,565	64,922,062	765,458,749
Percentage held	2.49%	0.00%	54.24%	34.79%	8.48%	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, 2018 Unit: Shares

Shareholding range	Number of shareholders	Total shares	Percentage of issued shares (%)
1 to 999	12,890	3,201,531	0.42%
1,000 to 5,000	8,008	17,575,588	2.30%
5,001 to 10,000	2,031	14,638,143	1.91%
10,001 to 15,000	797	9,758,068	1.27%
15,001 to 20,000	359	6,297,585	0.82%
20,001 to 30,000	378	9,137,984	1.19%
30,001 to 50,000	304	11,625,390	1.52%
50,001 to 100,000	231	16,268,387	2.12%
100,001 to 200,000	124	17,044,265	2.23%
200,001 to 400,000	70	19,893,832	2.60%
400,001 to 600,000	31	15,834,212	2.07%
600,001 to 800,000	12	8,158,180	1.07%
800,001 to 1,000,000	6	5,279,087	0.69%
> 1,000,001	42	610,746,497	79.79%
Total	25,283	765,458,749	100%

(5) List of major shareholders

April 24, 2018 Unit: Shares

Shares	Shares held	Shareholding percentage
Name of major shareholder		
Shanglin Investment Co., Ltd.	157,530,708	20.58%
Shuren Investment Co., Ltd.	108,631,770	14.19%
Shufeng Investment Co., Ltd.	38,451,946	5.02%
Mercury Fu Bao Co., Ltd.	37,024,378	4.84%
Shanghong Investment Co., Ltd.	30,038,221	3.92%
Chen,Shiang-Li	21,116,619	2.76%
New employee pension fund	19,023,717	2.49%
Mercuries & Associates, Ltd. Pension fund management committee	17,392,837	2.27%
Wong,Chau-Shi	16,572,783	2.17%
Yang,Chun-Hui	15,286,545	2.00%

(6) Information on market value per share, net value, earnings and dividends

Year			2016	2017	From this fiscal year to May 11, 2018 (Note 4)
Item					
Market price per share	Max		23.80	27.50	26.40
	Min		17.75	21.05	23.05
	Average		19.80	23.73	24.96
Net value per share	Before issuance		19.74	23.45	21.22
	After issuance		17.79	17.40 (Note 5)	-
Earnings per share	Weighted average (thousand shares)		674,235	721,442	721,442
	Earnings per share	Before retroactive adjustment	3.04	2.27	(0.37)
		After retroactive adjustment	2.84	-	-
Dividend per share (DPS)	Cash dividend		0.7	0.8 (Note 5)	-
	Free allotment	Surplus allotment	0.7	0.8 (Note 5)	-
		Capital reserve allotment	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on investment analysis	Price-to-earning ratio (P/E) (Note 1)		6.51	10.45	-
	Price-to-dividend ratio (P/D) (Note 2)		28.29	29.66 (Note 5)	-
	Cash dividend yield (Note 3)		0.04	0.03 (Note 5)	-

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

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

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

Note 4: Net value per share and earnings per share (EPS) provided shall be based upon the figures from the latest quarter that have been audited (and approved) by the CPA from the date of publication of this Report: All other fields shall be based upon the information of the current fiscal year up to the publication date of this Report.

Note 5: Appropriation of net income for 2017 was approved by the Board Meeting on March 23, 2018, and is currently pending a resolution in a shareholders' meeting.

(7) Dividend policy of the company and its implementation

A. Dividend policy:

According to Article 25 of the Company's Articles of Incorporation:

In case profit is made by the Company for the period, no less than 1% of the said profit shall be set aside for employees' compensation. The Board of Directors shall determine whether to issue the compensation in shares or cash. Recipients of the said compensation shall include Company employees that satisfy specific criteria. The Company permits the Board of Directors to set aside no more than 1% of the sum of the aforementioned profit as compensations for the Directors and Supervisors. Proposals for the distribution of employees' compensation as well as Directors' and Supervisors' compensation shall be submitted to the shareholders' meeting and presented accordingly.

According to Article 25-1 of the Company's Articles of Incorporation:

If earnings are found after closing the fiscal year, the Company shall first pay income taxes and make up for any accumulated losses and then report 10% as statutory surplus reserve.

However, when the statutory surplus reserve has reached the paid-in capital of the Company, the Company no longer has to report, and the rest could be reported or reversed into special surplus reserve. If undistributed earnings are still present, these will be combined with accumulated undistributed earnings and the Board of Directors will propose the distribution of earnings and ask the shareholders' meeting to resolve on the proposal for shareholders' dividends.

The Company's dividend policy is in line with current and future development plans, in consideration of the investment environment, capital needs, and domestic and overseas competition, on top of shareholders' interests. The amount of cash dividends distributed shall be no less than 10% of all dividends distributed for the year.

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

The 2017 plan for the appropriation of net income in the Company 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\$ 0.8 and a stock dividend per share of NT\$ 0.8. The following table details the 2017 earnings distribution:

2017 Earnings Distribution Table

Unit: NT\$

Item	Amount	
	Subtotal	Total
Beginning retained earnings		3,675,959,373
Add: changes in undistributed income in investment targets(Note 1)	(45,490,450)	
Add: reversal of special earnings reserve (Note 2)	910,324,042	
Add: net profit after tax in this period	1,640,954,598	
Distributable earnings		6,181,747,563
Minus: reporting statutory surplus reserve	(164,095,460)	
distributable items		
shareholders Dividend: Cash (NT\$0.8 per share) (Note 2)	(612,369,399)	
: Shares(NT\$0.8 per share) (Note 2)	(612,369,390)	
Unappropriated retained earnings		4,792,913,314

Note 1: Changes in undistributed income in investment targets refers to actuarial loss or profit resulting from confirmation of welfare plan and change in ownership percentage.

Note 2: Earnings in 2017 will be distributed prior to dividend.

C. Material changes for the expected dividend policy: Expected dividend policy of the Company 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:

The Company has neither compiled nor announced financial forecast for 2018.

(9) Compensation for employees, directors, and supervisors

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

If the Company 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.

B. The basis for estimating the amount of employees', Directors', and Supervisors' compensations and for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimate for the current period: Employees' compensation and the directors' remuneration of 2017 to be paid by the Company shall be issued in accordance with the Articles of Incorporation of the Company. Where the Company makes a profit for the year, no less than one percent (1%) of that profit shall be set aside for employees' compensation, and no more 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.

C. Distribution of compensations based on the resolution of the Board of Directors:

- a. Proposal to issue a directors' and supervisors' remuneration of NT\$ 12,000,000 and employees' compensation of NT\$ 17,800,000.
- b. Proposal for the sum of employees' share bonuses to be issued as a proportion of net income of this period and a proportion of the employees' total bonuses:
Not applicable. The appropriation of net income of 2017 did not include issuance of the employees' stock dividends.
- c. Compensations to be issued to the employees, directors, and supervisors were considered. The calculated earnings per share (EPS) was NT\$ 2.27.

D. Actual issuance of the employees' compensation and the directors' and supervisors' compensation of 2016:

The employees' compensation as well as the directors' and supervisors' remuneration of 2017 in the Company was reviewed and passed during the shareholders' meeting on June 22, 2017. The distribution as below:

- a. The distribution for directors' and supervisors' remuneration and employees' compensation were NT\$ 12,500,000 and NT\$ 20,900,000, respectively.
- b. The actually distributed was consistent with the amount approved by shareholders' meeting.

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

- A. On April 30, 2014, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 2,000 shares.
- B. On August 14, 2014, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 8,000 shares.
- C. On November 14, 2014, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 4,000 shares.
- D. On March 31, 2015, the Board Meeting resolved to to redeem and cancel the restricted employee stocks for a capital reduction of 10,000 shares.
- E. On July 2, 2015, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 10,000 shares.
- F. On November 13, 2015, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 8,000 shares.

- G. On January 28, 2016, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 1,000 shares.
- H. On May 13, 2016, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 1,000 shares.
- I. On August 12, 2016, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 5,000 shares.
- J. On November 14, 2016, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 2,000 shares.
- K. On December 28, 2016, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 1,000 shares.
- L. On March 30, 2017, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 3,000 shares.
- M. On May 12, 2017, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 2,000 shares.
- N. On August 4, 2017, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 3,000 shares.
- O. On November 14, 2017, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 6,000 shares.
- P. On March 23, 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 3,000 shares.
- Q. On May 11, 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 4,000 shares. Change has yet to be registered at publication date of this report.

- 2. Corporate bond: Not issued.
- 3. Preferred shares: Not issued.
- 4. Global depositary receipt: Not issued.
- 5. Employee stock options: Not issued.

6. Status of restricted employee shares:

April 24, 2018

Restricted employee stocks and categories	1st (issuance of) restricted employee stocks
Date of effective registration	December 12, 2013
Date of issuance	December 26, 2013
Restricted employee stocks issued	191,000
Issuing Price	0
Proportion of restricted employee stocks issued as a part of total issued and outstanding shares	0.027%
Prerequisites for receiving restricted employee stocks	Vesting conditions for an employee for receiving shares include tenure of at least 5 years and consecutive work performance assessment rating of <i>excellent</i> during the period.
Restrictions and privileges for receiving restricted employee stocks	<p>(1) To comply with relevant laws, the shares shall only be issued to full-time employees of the Company 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 the Company, 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 stocks to be received by individual 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 restricted employee stocks	<p>(1) For employees that do not meet the prerequisite conditions, the shares shall be kept under trust.</p> <p>(2) If restricted employee stocks were to be transferred to a trust for safekeeping, the Company 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 stocks may not demand the trust agency to return the restricted employee stocks in any way or method.</p>
Actions for handling allotments or subscription to new shares by employees who have yet to attain the prerequisite conditions	After receiving restricted employee stocks, employees who have yet to attain the prerequisite conditions may have their shares redeemed and cancelled by the Company without charge, unless the said employees have special conditions such as retirement, severance, unpaid leave, or received other approvals from the Company.
Quantity of restricted employee stocks that have been recovered or repurchased	69,000
Quantity of new restricted equities that were extinguished	0
Quantity of new restricted equities not yet extinguished	122,000(Note1)
Proportion of new restricted equities not yet extinguished as part of total issued and outstanding shares (%)	0.016%
Impact to shareholders' equity	The Company has issued 765,459,000 shares, of which restricted employee stocks make up 0.016% 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.

Note1: On May 11, 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 4,000 shares. Change has yet to be registered at publication date of this report.

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

April 24, 2018 Unit: Shares; %

	Title (Note 1)	Name	New restricted employee shares acquired (shares)	Proportion of new restricted employee stocks 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	Chien, Hui-Chu	10,000	0.0013%	-	-	-	-	10,000	0	0	0.0013%
	Store Manager	Lai, Yu-Chu										
	Store Manager	Wu, Pei-Min										
	Store Manager	Huan, Shu-Cheng										
	Store Manager	Weng, Yu-Hsuan										

Note 1: The remaining restricted employee stocks 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. Financing Plans and Implementation

(1) Contents of the plan: None.

(2) Implementation status: None.

V. Operational Highlights

The Company is an integrated service provider. Primary invested businesses include the retail of daily commodities and food, life insurance, pharmaceuticals, and information services. The following outlines the operation of the aforementioned business. For detailed information on the annual reports of Mercuries Life Insurance Co., Ltd., SCI Pharmtech, Inc., and Mercuries Data Systems Ltd., please refers to their respective annual reports.

1. Business activities

(1) Business scope

A. Primary business operated by the Company: General investments.

B. Primary businesses of companies invested by the Company:

a. Retail of daily commodities and food

- Convenience stores.
- Restaurants as well as purchasing and sales of food products, pickles, canned foods, and beverages.
- Processing, production, purchasing, and sales of food gift sets, coffee, and tea.
- Snack shops.
- Import and export of the aforesaid products

b. Life insurance

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

c. Pharmaceuticals

- Research and development, production, and sales of active pharmaceutical ingredients (API), API intermediates, and specialized and fine chemicals.
- Quotation, bidding, and distribution of products at home and abroad as well as research and development of the aforesaid products.

d. Information services

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

C. Proportion of business

Unit: Thousand NT\$

Business Item	2016		2017	
	Business Revenue	Business Revenue Proportion	Business Revenue	Business Revenue Proportion
Retail of Daily Commodities and Food	18,188,502	8.86%	19,986,356	8.36%
Life insurance	181,342,376	88.30%	213,065,239	89.17%
Pharmaceuticals	1,924,928	0.94%	1,322,173	0.55%
Information Services	2,723,983	1.32%	3,334,649	1.40%
Others	1,188,860	0.58%	1,247,305	0.52%
Total	205,368,649	100%	238,955,722	100%

Note: Business revenue includes non-operating income.

D. Current products (services) offered by the Company

a. Retail of daily commodities and food

- Purchasing and sales of daily commodities and food, alcohols, beverages, tobacco, daily necessities, cooked food, fresh foods, medical supplies (excluding Chinese medicine and Western medicine), infant products, cosmetics and beauty products (excluding those with pharmaceutical effects).
- Serving of fast food, including noodles, rice, fried pork chops, Japanese bento sets, and pizzas.
- Branded footwear, apparel, and accessories at home and abroad.

b. Life insurance

- Personal insurance: lifetime insurance, lifetime insurance in foreign currencies, whole life insurance, and whole life insurance in foreign currencies.
- Personal health insurance: hospitalization and medical care insurance, cancer insurance, and whole life medical and healthcare insurance.
- Personal accident insurance: personal accident insurance, travel insurance, and online accident 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 life insurance, group health insurance, and group accident insurance.

c. Pharmaceuticals

- API: Valporic acid (VA) and Allopurinol.
- API intermediates: Diethyl dipropyl malonate (DEDPM) and PENT-2 Ethyl 2-allyl-2-cyano-3-methylhexanoate.
- Specialty chemicals: 7 chemicals, including diethyl ketone (DEK)

d. Information services

- Financial businesses (software and hardware planning, development, and setup services for financial IT systems), public utilities (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), and related overseas businesses.

E. Development projects for new products (services)

a. Retail of daily commodities and food

In addition to expanding Simple Mart stores, the Company expects to invest in food businesses. In April 2018, the first restaurant was officially opened on Sihwei Road in Taipei City. Through Go Simple, the Company has stepped into e-commerce and worked with Mart Palm Box to increase visits and consumption of existing members, further increasing revenue and profit.

The Company plans to open Japanese dumplings and fried chicken store in 2018

and will continue to be dedicated to the existing Japanese and American cuisine, developing more types of products based on the successful business model, further improving market share.

b. Life insurance

Most Recent Annual Plan	Current Progress	R&D Expense to be Further Invested	Expected Time to Complete Mass Production	Main Factor in Success in Future R&D
Lifelong Medical Health Insurance (YHIW)	Launched on February 9	--	Q1 2018	Whether the product structure is competitive.
Zhengjianshang Hospital Health Insurance Policy Rider (ZHSR)	Launched on February 9	--	Q1 2018	Whether the product structure is competitive.
Xiangpingan Whole-life Insurance (PWL)	Launched on February 9	--	Q1 2018	Whether the product structure is competitive.
Shijianwen Serial Product	Launched on February 9	--	Q1 2018	Whether the product structure is competitive.
Shijiwenjian Serial Product	R&D personnel have started developing the product.	NT\$500,000	Q1 2018	Whether the product structure is competitive.
Whole-life Surgery Health Insurance	R&D personnel have started developing the product.	NT\$1 million	Q2 2018	Whether the product structure is competitive.
USD Interest-sensitive Whole-life Insurance	R&D personnel have started developing the product.	NT\$500,000	Q2 2018	Whether the product structure and declared interest rates are competitive.
Investment Product by Installments under Discretionary Account	R&D personnel have started developing the product.	NT\$500,000	Q3 2018	Whether the product structure is competitive.

c. Pharmaceuticals

New Product Name	New Product Description
DCBCO-1303	APIs
Dextromethophan	APIs
Benserazide	APIs
Divarinol	API intermediate
AEHPA	API intermediate

d. Information services

The following financial products have been developed to help customers integrate various businesses, reduce labor and costs, and improve the competitiveness of products and services offered by the Company: Card-free ATM with Finger Vein technology and card-free cash withdrawal using mobile APP on cell phones; non-financial products include M2O mobile marketing service platform and service JDC (cloud service for work dispatching). At present, the Company is developing the wireless radio broadcasting system and the wireless emergency radio system. In the future, the Company will 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

A. Current state and development of the industry

a. Retail of daily commodities and food

Both the economy and national income have increased in the last 20 years. This is also accompanied by changes to Taiwan's industrial structure, with manufacturing industry gradually giving way to the service sector. Statistics from the Department of Statistics, Ministry of Economic Affairs (MOEA), showed that the service sector accounted for 62.89% of the national GDP in 2017. 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.

In recent years, hypermarkets have started to open small-scale stores to expand their revenue. The market of original convenient stores has become saturated, causing new stores to be set up in communities rather than along streets. This is competition which the Company's retail business faces now.

With an increasing awareness of food safety and the introduction of foreign chain restaurants to Taiwan, the food industry has faced intense competition in recent years. In view of this, the Company has engaged Japanese consultants to review the food retail market, products, and competitiveness and established BANCO, where the world's pizza champion gives technical support in Taiwan, to distinguish itself in the food industry.

b. Life insurance

Facing the low birth rate and aging society, people have become more dependent on insurance. Statistics from the Taiwan Insurance Institute (see the table below) showed positive growth in total premium income in every year from 2008 to 2017 with the exception of the 2011, which was hit by 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 has exhibited stable growth.

Statistics on Premium Income in Taiwan

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Premium Income (NT\$100 million)	19,188	20,066	23,128	21,982	24,784	25,835	27,711	29,267	31,334	34,202
Growth Rate (%)	2.33	4.58	15.26	(4.96)	12.75	4.24	7.26	5.61	7.06	9.16

Source: Taiwan Insurance Institute (TII).

The market penetration of Taiwan's life insurance companies (as assessed by the proportion of premium income as part of the GDP) is remarkably high. Despite this, average coverage per individual remained low, showing that most people still preferred insurance products that offered return on principals or functioned like a fixed deposit. However, such products offered lower levels of insurance payments and lacked adequate protection. Families are having fewer children and society is aging rapidly. There are still opportunities in Taiwan's life insurance market. Insurance companies will continue to actively invest in R&D to develop traditional life and health insurance products to cater to the segregated market requirements and pension insurance products that cater to the aging society. All these are key areas of product development efforts within the insurance industry.

c. Pharmaceuticals

Statistics from the IMS showed that the scale of the global pharmaceutical market reached US\$1.1 trillion in 2016, showing an increase of 3.3% compared to 2015. IMS estimated that by 2020 the scale of the global pharmaceutical market would reach US\$1.4 trillion, and that the growth rate in Asia, Africa, Australia, and Latin America would be far higher than that in North America, Europe, and Japan and become the main driving force of the global pharmaceutical market. The reasons for a lower growth rate in developed countries include reductions in drug expenses and prices and the encouraging use of generic drugs. With the economic growth and the popularity of drugs in the emerging markets, on the other hand, the pharmaceutical market would grow significantly.

Biotech industries in Taiwan continued to expand their presence worldwide. In 2016, the turnover of the biotech industry in Taiwan reached NT\$315 billion, showing an increase of 5.5% compared to NT\$298.6 billion in 2015; the growth of both the medical equipment industry and the pharmaceutical industry also accelerated the development of the biotech industry in Taiwan. In 2016, the investment in Taiwan's biotech industry amounted to NT\$50.935 billion, showing an increase of 5% compared to 2015. This shows that the prospects of the biotech industry are brightening.

The government has supported the biotech industry over the past years. In the future, the government will implement the five industry innovation plan and the action plan for the biomedical industry innovation to increase the output of pharmaceuticals, medical equipment, and health and welfare from 6% to 9%. The government aims to make the biotech industry the locomotive for Taiwan's economic development to drive industrial innovation and maintain health and welfare at the same time.

d. Information services

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. The demand for automatic teller machines (ATMs) in financial institutions has only increased. The maturity of mobile network technology and the popularity of smart phones have resulted in the prosperity of mobile banking and mobile payments. With the dawning of Bank 3.0, various financial institutions have started to establish fully automated banks and strengthen teller operations and services. Such trends brought

great potential for the ATM market.

With the high recognition of Finger Vein card-free withdrawals (RATM) among customers, banks have made available card-free withdrawals which allow customers to complete transactions only with one finger. Our RATM has highly recognized by customers in terms of quality and service and ranked top in the market.

Financial automation services focus on service as a distribution agent for HITACHI-OMRON products. 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. Stringent security controls, comprehensive and highly reliable operational environments are also required by automated financial services. System integrators and service providers have therefore become key subcontractors capable of leading overall market development. Major system integration projects successfully carried out by MDS include ticketing systems for mass rapid transit and the 2010 Taipei International Flora Exposition. The Company also offers comprehensive and integrated sales, installation, and warranty services for the distribution and marketing of IT products, such as servers and storage equipment, by working with leading companies from around the world, such as ORACLE, HP, and EMC. MDS also has extensive experience 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 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 the Company.

B. 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
Retail of Food		Raw material suppliers	Research and development, production, and sales of food and beverages	End consumers: companies or individuals
Life Insurance		Individuals or groups' direct purchase of insurance with personal insurance industry, 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
Information Services	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

C. Product development trends and competition

a. Retail of daily commodities and food

Due to the continuous development of the Internet, mobile phones have been widely used, resulting in changes in consumer habits. All types of consumer goods can be ordered through the Internet and mobile phones. To avoid the impact of e-commerce on retail stores, the retail industry should focus on product differentiation and importing featured and quality products to attract customers to shop in stores.

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, refers to identifying target and niche markets in a competitive environment to sustain business profitability.

b. Life insurance

(a) Development trends of life insurance products (source: Life Insurance Association R.O.C.)

Looking at the performance in 2017, the total premium income was NT\$3,209.4 billion, showing a growth of 5.2%. Two highlights are described below:

① The annual premium income of traditional insurance products was reduced

by 19.8% compared to 2016.

- ② The annual premium income of investment-type pension insurance products increased 28.7%, and the annual premium income of the overall investment-type insurance products increased 62.1%.

(b) Development trend of channels

① Sales representatives

Since 2008, a number of overseas insurance companies began initiating partial or complete withdrawals of their operations in Taiwan. The recent developments in various sales channels, such as cross-sector partnerships, have significantly reduced the survivability of insurance sales representatives. Life insurance companies, however, must rely on proper human resource management to achieve sustainable development; therefore, we released various financial subsidies as well as a series of image advertisements to younger recruits in order to effectively improve performance.

② Banks

Rapidly growing premium income for banking channels could be primarily attributed to the impacts caused by the financial crisis. Public attitudes toward investments became increasingly conservative. The public also demonstrated increasing acceptance for insurance products. Products marketed through banks were no longer restricted to investment or financial products. This allowed insurance companies to market products that benefit financial structures more. 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.

(c) Competitive situations

In recent years, domestic interest rates have continued to slump, making customers tend to purchase universal life insurance and interest-sensitive products. With the steady growth of the global economy and the stock markets, investment-type products have grown significantly. With the extended life and the emphasis on health and medical insurance, the Company has designed competitive disability insurance products to meet the needs of customers and improve performance.

Statistics from the Life Insurance Association R.O.C. showed that the Company had market share of 4.49% in terms of total premium income in 2017, ranking No.7 among 23 life insurance companies in Taiwan.

c. Pharmaceuticals

Overall demands for pharmaceuticals and medicine are intimately connected to population growth. Historical data demonstrated stable development of sales that is less affected by the overall economic environment. Medical and healthcare expenses have grown together with national income following rapid development of emerging economies. This had driven increased demands which helped sustain the growth of the global pharmaceutical market.

In 2020, the value of the global pharmaceutical market will be US\$1.41 trillion.

Mergers and acquisitions (M&A) has become an important way for major pharmaceutical companies to complement R&D lines and tap into new fields in recent years. Statistics from Dealogic showed that starting from 2018 the M&A transactions in the global medical industry would amount to approximately US\$54.4 billion. This shows that M&A is conducive to the development of the medical industry.

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.

d. Information services

(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. The Company 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, the Company has sold over 4,000 ATM units, gradually improving its market share of cash recycling ATMs. To introduce products with differentiating advantages, the Company also actively introduced deposit machines, which could take both coins and banknotes and help clients reduce expenses incurred by providing needed security for physical banknotes. To satisfy the 7X24 uninterrupted service required by the financial sector, the Company also introduced the Virtual Teller Machine (VTM). 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 ATMs identify finger veins instead of traditional ATM card identification methods introduced to improve user convenience, Finger Vein card-free ATMs (RATMs) have been highly recognized in the market, creating 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 the Company 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. The Company 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 R&D efforts

A. R&D investments made in the most recent year up to the printing date of this annual report

Unit: Thousand NT\$		
Category \ Year	2017	As of March 31, 2018
Retail of Daily Commodities and Food	3,144	58
Life Insurance	32,275	8,814
Pharmaceuticals	33,089	9,304
Information Services	131,879	32,357
Total	200,387	50,533

B. Technologies or products successfully developed in the most recent year up to the printing date of this annual report

a. Retail of daily commodities and food

In April 2018, the first restaurant, Simple Mart, was officially opened on Sihwei Road to offer various types of organic meals to consumers.

b. Life insurance

Year	Name of Insurance
2017	MLI Youli Jingxuan Foreign Currency Variable Annuity Insurance (JFVA)
	MLI Youli Jingxuan Foreign Currency Variable Universal Life Insurance (CFVUL)
	MLI Youli Jingxuan Variable Annuity Insurance
	MLI Youli Jingxuan Variable Universal Life Insurance (JVUL)
	MLI Zenghaoli Whole-life Insurance (JHL)
	MLI Aipingang Disability Care Whole-life Insurance (AHAD)
	(Omitted below)
As of April 17, 2018	MLI Shijianwen Variable Annuity Insurance (AUVA)
	MLI Shijianwen Variable Annuity Insurance with Foreign Currency (AUFVA)
	MLI Xiangpingan Whole-life Insurance (PWL)
	(Omitted below)

c. Pharmaceuticals

Trial Production of New Product	Commercialized Mass Production of New Product	Improvement in Production Process
DCBCO-1303	SCI-56	Olivetol SCI-56

d. Information services

Our R&D department focused on user requirements and future market trends during the software development process. Solutions that have been developed include automated financial services (joint development platforms for ATM applications and ATM marketing control platform) and system integration services (wireless communication systems for vehicle deployment and ticketing system).

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

A. Retail of daily commodities and food

a. Short-term plans

- (a) Increase the number of franchise stores and encourage outstanding employees to participate in the franchise to increase the performance of all stores.
- (b) Develop new products and adjust the product structure to improve profitability.
- (c) Control costs strictly and increase inventory turnover.
- (d) Form cross-sector partnerships and joint marketing.

b. Long-term plans

- (a) Introduce and cooperate with foreign well-known retailers to improve customer services.
- (b) Develop new brands to spread risks and increase gross profit.
- (c) Strengthen personnel training to improve quality of service and storefront management capacities.
- (d) Train business management cadets as reserve human resources for diversified development programs initiated by the Company.
- (e) Compile know-hows from existing franchises to develop new business models and enter new markets.

B. Life insurance

a. Short-term plans

We 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, the Company shall also actively develop new products and expand business opportunities for new target demographics. As the aging society becomes a reality, the Company 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, the Company 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.

b. Long-term plans

We 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.

C. Pharmaceuticals

a. Short-term plans

Increase the business proportion of API.

We 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 the Company.

b. Long-term plans

- (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.

D. Information services

Business Development	Short-term Plans	Mid-term 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. ◎ Improve the executive ability for various products. ◎ Improve core competitive advantages of quality, date of delivery, and cost. ◎ Include international goods to provide products with competitive pricing. 	<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 and sales overview

(1) Market analysis

A. Areas of sales (provision) of primary products (services):

a. Retail of daily commodities and food

The Company's scope of business includes the retail of daily commodities, food, alcohols, tobacco and catering. These products have been sold to various counties, cities, and towns throughout Taiwan.

Sales Performance (by Region) in 2017

Unit: Thousand NT\$

Region	Retail of Daily Commodities and Food	Percentage
Taipei, Keelung, Yilan, and Hualien	10,149,855	50.78%
Taoyuan, Hsinchu, and Miaoli	3,333,807	16.68%
Taichung, Changhua, and Nantou	2,747,810	13.75%
Yunlin, Chiayi, and Tainan	1,499,425	7.50%
Kaoshiung and Pingtung	1,742,794	8.72%
Overseas and Mainland China Areas	409,626	2.05%
Subtotal	19,883,317	
Non-operating Income	103,039	0.52%
Total	19,986,356	100.00%

b. Life insurance

A total of 8 branch offices, including Taipei, Taichung, and Taichung City Hall, and 295 service offices have been established which cover the entire country. MLI became a listed company on December 18, 2012, and began deploying its resources to expand markets for annuity and retirement pension insurance in Mainland China and overseas areas. MLI provides a full range of products and services, creates long-term value for policyholders, shareholders and employees, and makes considerable contributions to society and the country.

The sales team is MLI's most valuable asset. As of December 2017, MLI had 18,043 sales representatives, ranking No. 5 in the industry. Service areas cover six regions across Taiwan. Our sales team shared information and worked together to achieve success of the majority under the leadership of experienced sales representatives.

c. Pharmaceuticals

Sales Performance (by Region) of SCI Pharmtech, Inc.

Unit: Thousand NT\$

Business Areas \ Year		2017	
		Sales Volume	Percentage (%)
Export	Europe	547,392	42.07
	Americas	276,937	21.29
	Asia	277,972	21.36
	Others	13,861	1.07
	Subtotal	1,116,162	85.79
Domestic Sales		184,888	14.21
Total		1,301,050	100.00

d. Information services

The product sales in the 3 most recent years were primarily achieved in the domestic market. In 2017, domestic sales revenue accounted for 99.21% of total operating revenue, while export revenue, largely from Mainland China and Southeast Asia, accounted for 0.79% of total operating revenue. 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.

B. Market share

a. Retail of daily commodities and food

Statistics released by the Department of Statistics, Ministry of Economic Affairs (MOEA), showed that the business revenue for convenience store franchises, clothing and accessories retail, and food businesses amounted to NT\$317,311,987 thousand, NT\$286,395,841 thousand, and NT\$452,323,818 thousand respectively in 2017. In 2017, the Company's revenue from daily commodities and food retail in Taiwan amounted to NT\$15,667,897 thousand and NT\$4,318,459 thousand respectively, which accounted for 2.60% and 0.95% of total national revenue from convenience store franchises and clothing and accessories retail as well as food businesses respectively.

b. Life insurance

According to the statistics from the Taiwan Insurance Institute (TII), which showed premium income and market share of 23 insurance companies in Taiwan in 2017, the following lists premium income and market share of major competitors of MLI:

Premium Income and Market Share of Local Insurance Companies in 2017

Unit: NT\$100 Million

	Company Name	2017			Company Name	2017	
		Amount	%			Amount	%
1	Cathay Life Insurance	7,683	22.46	15	Chubb Life Insurance	301	0.88
2	Nanshan Life Insurance	5,221	15.26	16	PCA Life Assurance	270	0.79
3	Fubon Life Insurance	5,154	15.07	17	BNP Paribas Cardif TCB Life	239	0.70
4	Taiwan Life Insurance	2,883	8.43	18	Hontai Life	213	0.62
5	Shin Kong Life Insurance	2,810	8.22	19	Prudential	159	0.46
6	China Life Insurance Company	2,064	6.04	20	First-Life Insurance	117	0.34
7	Mercuries Life Insurance	1,537	4.49	21	Cigna Taiwan	104	0.30
8	Chunghwa Post	1,438	4.20	22	AIA Group Insurance	80	0.23
9	TransGlobe Life Insurance	1,003	2.93	23	ZURICH	0	0.00
10	Allianz	824	2.41	24	Chaoyang Life (Note 1)	-	-
11	BNP Paribas Cardif	680	1.99	25			
12	Farglory Life	612	1.79	26			
13	BankTaiwan Life Insurance	426	1.24	27			
14	Yuanta Life	384	1.12	28			

Source: TII quick report on premium income

Note 1: Chaoyang Life was merged into Nanshan Life Insurance in May 2017.

c. Pharmaceuticals

- (a) The world's leading manufacturers are PEB.Na, 5-HMT, PGA, VA, NaVA, Di-VNa and HOCLQ.
- (b) The Company is the only supplier of intermediates for controlled drugs, such as Pent-2, NBE, S-2, AL-1, and EPMA.
- (c) Due to limited information, it is difficult to estimate market share of other products.

d. Information services

Statistics from the Banking Bureau of the Financial Supervisory Commission, Executive Yuan, showed that there are currently 28,300 ATMs in Taiwan. ATMs provided by MDS account for 43.68%, making MDS the primary supplier of ATMs in the market.

C. State and growth of market supply and demand

a. 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.

b. Life insurance

Year	2013	2014	2015	2016	2017
Population (1,000 people)	23,345	23,404	23,463	23,516	23,556
National Income (NT\$ Million)	13,115,430	14,018,941	14,652,714	14,992,247	15,120,728
Number of Effective Contracts (in Thousand)	53,681	54,041	55,010	56,578	57,995
Coverage of Effective Contracts (NT\$ Million)	41,061,271	41,336,909	42,054,222	43,182,644	44,341,032
Total Premium Income (NT\$ Million)	2,583,532	2,771,130	2,926,677	3,133,357	3,420,233
Insurance Coverage (Note)	229.95%	230.91%	234.46%	240.59%	246.21%
Prevalence (Note)	313.08%	294.86%	287.01%	288.03%	293.25%
Premium as a Proportion of National Income	19.70%	19.77%	19.97%	20.90%	22.62%
Economic Growth	2.20%	4.02%	0.81%	1.41%	2.84%

Source:

Population, 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 income: Taiwan Insurance Institute (TII).

Note: Number and coverage of effective contracts: Only life insurance and annuity insurance were included.

Insurance coverage: Number of effective contracts (only including life insurance and annuity insurance) / Population.

Prevalence: Coverage of effective contracts (only including life insurance and annuity insurance) / National Income.

The table above shows that insurance coverage in 2017 grew slightly compared to 2016, indicating that national demand for insurance products is increasing slowly. For future market requirements, life insurance companies adapt to loosening of

legal restrictions and changes to the financial environment. In addition to traditional products, new investment-linked insurance products as well as principal guaranteed products were constantly developed to supply market demands. The aging population and changing demographics will also lead to a gradual and inevitable increase for medical insurance and home care insurance products. Designing first-rate insurance products whenever appropriate will benefit both the insured and the life insurance companies.

c. 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. In 2018, the global pharmaceutical market is expected to be about US\$1.4 trillion, with the biggest market in North America which will account for 40% of the market share. Pharmaceuticals are basically composed of active pharmaceutical ingredients (APIs) and excipients and account for about 10% of the entire pharmaceutical market. Total global sales in 2016 amounted to about US\$148 billion for a CAGR (average compound annual growth rate) 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 of SCI Pharmtech shall focus on APIs, key intermediates, and other upstream products of the pharmaceutical industry. SCI Pharmtech will optimize product portfolio, develop new products, expand customer base, and develop extensive partnerships in order to reduce the impact of business fluctuations, achieve better profitability, and improve its position within the sector.

d. Information services

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 digitization 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 which would provide comprehensive solutions. Many recent large scale integration projects could testify to this requirement. As the economy continues to recover, public infrastructure projects would be enlarged to drive internal demand. Overall market demands for computer system integration services were expected to grow rapidly. To provide customers with a safe and reliable computer system, MDS 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 a key in determining the winner among competing system integrators.

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

a. Retail of daily commodities and food

- (a) Competitive niches and positive factors for development vision
 - ① The overall service sector will undergo active development. As more goods are imported at lower costs with the appreciation of NTD, the Company will continue to leverage its advantages in sales channels to import novel products overseas to improve sales volume and profit.
 - ② 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 the Group to simply replicate its successful experience in franchise development in Taiwan in this emerging market and develop new business opportunities.
 - (b) Negative factors
 - ① Due to changes in labor laws, personnel costs continue to rise; in addition, talent recruitment and training are challenging, which affects the opening of new stores.
 - ② 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.
 - ③ 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
 - ① In the face of competition, the Company 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.
 - ② The Company shall carefully select storefront locations to reduce operation costs, and shall improve personnel training and welfare to reduce turnover and maintain service quality.
 - ③ The Company shall work with networks and home deliveries to develop new products and improve added value for the target channel.
- b. Life insurance
- (a) Competitive niches
 - ① Established brand awareness and benchmark for new life insurance companies
MLI won the Best Professional Insurer Award and the Best Social Responsibility Award in 2017; in addition, MLI was awarded the Best Corporate Social Responsibility Award by Excellence Magazine in the best insurance rating in 2017. MLI has been selected the Best Insurance Company for Graduates - Office (Field) Service for five consecutive years from 2013 to 2017, showing that our innovation and robust operation have been highly recognized in the industry.
 - ② Goal of stable business growth and achievements

The premium income from new policies amounted to NT\$32 billion in 2017; the total premium income was NT\$153.7 billion; available funds were NT\$976.2 billion, and total assets totaled NT\$1052.9 billion, heading the list of new life insurance companies.

③ Complete product lines for customers' complete protection

MLI continues to offer a full range of insurance products and services to customers. From 2015 to 2017, MLI's products have been selected by Smart Monthly and RMIM Inc., showing that our creative thinking and insurance products have been in line with the market needs. We aim to become the most valuable life insurance company in Taiwan.

(b) Positive factors for development vision

- ① Diversified marketing channels expand both the quantity and quality of customer exposure interfaces for life insurance products.
- ② Loosen restrictions for capital utilization among life insurance companies improve capital utilization rates and competitiveness of the life insurance companies.
- ③ Simplified review processes of insurance companies by the competent authorities will expedite the release of new products.
- ④ Growing demand for medical and healthcare products and services will lead to potentially high demands for medical insurance as well as home care insurance.
- ⑤ Release of new investment-type products will satisfy the requirements of the insured with varying degrees of risk tolerance.
- ⑥ The era of the Internet will lead to increases in digital sales and service requirements.
- ⑦ Issues caused by aging society and low birth rates will continue; the pension market will become a key focus.

(c) Negative factors

- ① Liberalization of fees has intensified competition among life insurance companies and increased the burden of operational expenses.
- ② The era of low assumed interest rates and high premiums will lead to increased difficulty in marketing traditional life insurance products.
- ③ Competent authorities may establish increasingly stringent regulatory requirements for products.

(d) Response strategies

- ① Improve asset and liability coordination and management to reduce potential financial and sales risks.
- ② Promote diversification of sales channels and expand the sources of sales contact and interfaces.
- ③ Release a diverse and comprehensive selection of life insurance products so that the insured could acquire the needed protection within a single purchase.
- ④ Uphold the corporate culture and principle of "Commitment and Friendship for Life" to acquire the support of the insured.

c. Pharmaceuticals

(a) Competitive niches and positive factors for development vision

- ① Aging population and gradually increasing living standards

The world's population is moving toward aging 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 growing market scale. More and more countries are placing greater importance on healthcare. Governments had enacted policies or legislation to lower and control drug prices and medical expenses, so as to improve the overall medical quality. Such policies and legislation will lead to increased demands for generic drugs. API developers would also continue to search for low cost solutions and collaborate with API producers that could achieve processing quality that complies with international standards. This measure would help future marketing and development efforts within SCI Pharmtech.

② Government focus and consultation

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

(b) Negative factors

① The small scale of API companies in Taiwan and the limited capacity of the domestic market meant that the competitive niche offered in Taiwan could not compare to competitors from Mainland China or India. Taiwan's government also tend to neglect the API industry as it believes that R&D efforts in this sector were not compliant to the requirement of advanced innovations and rejected the motion of providing funding and establishing relevant statutes applicable for innovations within this industry.

② In 2016, 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

① Establish a quality system compliant to international quality standards and select products carefully to segregate the market. SCI Pharmtech 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 Company 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. SCI Pharmtech 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.

② 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.

- ③ Continue to communicate with Taoyuan City Government about the use of land and find a solution. At present, Taoyuan City Government has replied that related laws will be amended in response.

d. Information services

(a) Competitive niches and positive factors for development vision

- ① MDS has more than 40 years of experience in the ATM market, making it possible to fulfill the customers' standards and requirements for technical support, product functions, and operational reliability.
- ② 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.
- ③ To improve software development capabilities, MDS passed re-certification for CMMI Level 3 software development capabilities. During the process improvement, MDS has integrated the process of the investment in Mercuries Soft (Nanjing) Ltd., laying a good foundation for its software business in Greater China.
- ④ Customers are looking for the means of improving efficiency and lowering costs, leading to growing demand for system integration at increasingly larger scales. Many projects will involve installation throughout Taiwan. A comprehensive service network in various areas (including remote islands) will provide accessible and quick services and improve customer reliance and confidence.
- ⑤ 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.
- ⑥ 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.
- ⑦ Completion of large-scale integration projects provides additional experiences in the actual practice of system integration.
- ⑧ Once the warranty period expires for large-scale integration and setup projects, MDS shall secure favorable positions in securing contracts for subsequent maintenance and repairs to improve revenue and profitability through the provision of maintenance services.

(b) Negative factors

- ① Changes in the machine models of automated financial systems will increase costs in hardware provision and maintenance.
- ② Profitability is reduced due to price competition within the industry.
- ③ It becomes more difficult to identify all possible risks before the tendering

process due to growing complexities of large-scale public projects.

(c) Response strategies

- ① 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.
- ② Develop differentiated products, including deposit machines, Finger Vein card-free withdrawals, and mobile APP on cellphones for card-free cash withdrawal.
- ③ 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).
- ④ 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.
- ⑤ 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.
- ⑥ Strengthen the control over projects and resources to ensure that the delivery and quality of projects meet customers' needs.

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

A. 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.

B. Life insurance

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

- b. Production process:
- (a) Initial ideas: The Product Development Consultation Committee (PDCC) would reflect gaps in the product portfolio or market trends of the Company 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) Submitting results to the internal product evaluation task force meeting to finalize product details: Once product proposals have been finalized, they will be submitted to the internal product evaluation task force meeting for discussion. Necessary revisions would then be carried out to finalize the payment details, product characteristics, and name of the new insurance product.
 - (d) Formulating contractual terms and description of the calculations: Contractual terms and calculation descriptions shall be formulated according to relevant laws and product designs, and must be reviewed and approved by qualified members of the actuarial, approval, security, claims, legal, and investment departments as part of the stringent product quality controls.
 - (e) Product review and submission to the competent authorities for approval or filing: The approved product must then be reviewed and ratified by the competent authorities before it may be marketed and sold. For use-and-file products, the product must be submitted to the competent authority for review within 15 working days after the product has been sold.
 - (f) Preparation for sales: Before the new insurance product can be released, the sales departments (banking insurance department for banking insurance products, group insurance department for group insurance products, and diverse marketing department for products sold at airports, e-business, or telemarketing) shall hold a product management task force meeting. Meeting agenda will include a review of contractual problems and coordination of activities with various departments.
 - (g) Sales preparations (applicable for investment-linked policies connected to overseas structured products): Before investment-linked policies connected to overseas structured product can be sold, a product review task force shall be responsible for holding and recording a product review meeting for the structured product according to the Review Standards for Overseas Structured Products stipulated by the Company. The distributor or general representative of the overseas structured product shall be notified after review and approval. If non-professional investors was commissioned or targeted for sales, the distributor or general representative shall provide a public announcement 2 business days before actual sales in compliance with the relevant regulations.

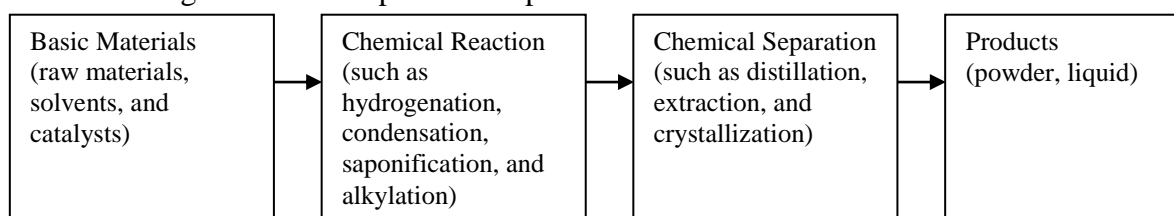
C. Pharmaceuticals

a. Major uses of the primary products:

	Name of the Primary Product	Primary Purpose
APIs	VA (Omitted)	Antiepileptic and anticonvulsant (Omitted)
	Atomoxetine	Anti-ADHD
API Intermediate	Pent-2 (Omitted) S20/38	Anesthetics (Omitted) Antitumor agent

b. 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:



D. Information services

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

(3) Supply of primary raw materials:

A. Retail of daily commodities and food

There is no shortage in the supply of products in stores. Primary products are daily commodities that are highly interchangeable. The risk of shortage in supply may be reduced by looking for other sources of supply.

There is no shortage in the supply of raw materials for the food service sector (such as flour, meat, and cheese).

B. Life insurance

Not applicable for the insurance sector.

C. Pharmaceuticals

Raw materials used by SCI Pharmtech are chemicals sold in the market without any risk of supply monopoly; however, due to strict laws pertaining to environmental protection enforced by the government of China, the supply of some raw materials is unstable. SCI Pharmtech has followed up related laws to ensure the sufficient supply

of raw materials. The following table shows the supply of main materials:

Main Material	Name of the Main Supplier	State of Supply
Diethyl malonate	Tiande Banghai	Excellent
Sodium ethoxide	Nantong (Fangyou)	Excellent
Sodium	Nisso Shoji(MSSA)	Excellent
Triethyl orthoformate	Nantong (Chengxin) and Linshu Huasheng	Excellent
Bromoethane	Weifang Longwei and Nantong Longsheng	Excellent
Methyl propyl ketone (MPK)	Eastman	Excellent
Ethyl cyanoacetate	Nantong Chengxin and Tiande (Weifang)	Excellent
AEHPA	Nansong	Excellent
DCQ	Nantong (Linyang Qingfeng)	Excellent

D. Information services

Name	Main Source	State of Supply
Automated Financial Services: Automatic	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:

A. Retail of daily commodities and food

a. 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.

b. Primary goods supplier

Unit: Thousand NT\$

Item	2016				2017				As of Q1 2018			
	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Current Year up to Q1 2018 (%)	Relationship with the Issuer
1	Taiwan Tobacco and alcohol	1,216,597	10.69	None	Taiwan Tobacco and alcohol	2,562,953	18.76%	None	Taiwan Tobacco and alcohol	346,523	11.02%	None
	Others	10,168,287	89.31		Others	11,097,986	81.24%		Others	2,798,316	88.98%	
	Net Purchase	11,384,884	100.00		Net Purchase	13,660,939	100.00%		Net Purchase	3,144,839	100.00%	

- c. Reason for changes: The Company operates as a retailer and distributor with extremely distributed purchasing. Given the popular sales of Taiwan Beer and tobacco products, net purchase of these products accounted for over 10% of total purchase throughout the year.

B. Life insurance

MLI has no applicable supplier for analysis. No premium income from any single policy holder accounted for over 10% of total annual premium income.

C. Pharmaceuticals

a. Primary customers

Unit: Thousand NT\$

2016					2017				As of Q1 2018			
Item	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net sales for the Current Year up to Q1 2018 (%)	Relationship with the Issuer
1	Customer B	273,337	14.36	None	Customer E	136,920	10.52	None	Customer B	76,121	17.88	None
2	Customer C	220,324	11.58	None	Customer F	134,630	10.35	None	Customer E	57,581	13.53	None
3	Customer A	207,987	10.93	None	Others	1,029,500	79.13	None	Others	291,944	68.59	None
4	Customer D	193,437	10.16	None								
5	Others	1,008,015	52.97	None								
	Net Sales	1,903,100	100.00		Net Sales	1,301,050	100.00		Net Sales	425,646	100.00	

Note: Where sales to the customer exceed 10% of the total sales value in the most recent 2 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, and may be suitably replaced by codes.

- b. Reason of change: Customer E was included in 2017 as this customer increased the purchase of Dulox.HCl/Dulox.Hcl fine. Customer F had a stable quantity of orders; with the decrease in orders of Customers A, B, C, and D due to inventory adjustments, Customer F accounted for more than 10% of net sales.

c. Primary goods supplier

Unit: Thousand NT\$

Unit: Thousand RMB

2016					2017					As of Q1 2018				
Item	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Item	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Item	Name	Amount	Percentage of Net Purchase for the Current Year up to Q1 2018 (%)	Relationship with the Issuer
1	Nantong	148,183	25.86	None	1	Nantong	100,211	22.07	None	1	Nantong	41,227	25.44	None
2	Nansong	72,418	12.64	None	2	Trans Chief	65,623	14.46	None	2	Trans Chief	21,921	13.53	None
3	Others	352,343	61.50	None	3	Others	288,137	63.47	None	3	Others	98,909	61.03	None
	Net Purchase	572,944	100.00			Net Purchase	453,971	100.00			Net Purchase	162,057	100.00	

Note: Where procurement acquired from a supplier exceed 10% of total procurement for the most recent two years, 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 partner cannot be disclosed if the said supplier or trading partner is an individual and unrelated party, and codes may be used to replace the names instead.

- d. Reason of change: The overall supplier makeup did not change much. Some changes were due to the change in product portfolios.

D. Information services

List of Major Customers for the Most Recent Two Years

Unit: Thousand NT\$

Item	2016				2017				As of Q1 2018			
	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Current Year up to Q1 2018 (%)	Relationship with the Issuer
1	Customer A	483,613	17.93	None	Customer A	481,545	14.60	None	Customer A	-	-	-
2	Customer B	-	-	-	Customer B	471,118	14.29	None	Customer B	146,223	16.85	None
3	Customer C	-	-	-	Customer C	353,648	10.72	None	Customer C	-	-	-
4	Customer D	-	-	-	Customer D	-	-	-	Customer D	175,002	20.17	None
5	Customer E	-	-	-	Customer E	-	-	-	Customer E	120,444	13.88	None
6	Others	2,213,328	82.07	-	Others	1,991,121	60.39	-	Others	426,051	49.10	-
	Net Sales	2,696,941	100.00		Net Sales	3,297,432	100.00		Net Sales	867,720	100.00	

Reason for changes: Based upon business needs.

List of Major Suppliers in the Most Recent Two Years

Unit: Thousand NT\$

Item	2016				2017				As of Q1 2018			
	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Current Year up to Q1 2018 (%)	Relationship with the Issuer
1	Hitachi-Omron Terminal Solutions, Corp.	703,153	34.96	None	Hitachi-Omron Terminal Solutions, Corp.	1,284,655	51.72	None	Hitachi-Omron Terminal Solutions, Corp.	52,782	13.51	None
2	-	-	-	-	-	-	-	-	Systemcom Co., Ltd.	148,167	37.93	None
3	-	-	-	-	-	-	-	-	Oracle Taiwan LLC, Taiwan Branch	48,362	12.38	None
4	Others	1,308,161	65.04	-	Others	1,199,449	48.28	-	Others	141,305	36.18	-
	Net Purchase	2,011,314	100.00		Net Purchase	2,484,104	100.00		Net Purchase	390,616	100.00	

Reason for changes: Based upon business needs.

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

A. Retail of daily commodities and food

Not applicable. The Company is a retailer of daily commodities and food.

B. Life insurance

Not applicable. MLI is a life insurance company.

C. Pharmaceuticals

Production Volume/Value in the Most Recent Two Years

Unit: Ton / Unit: thousand NT\$

Primary Product (or Department)	Year Production Volume/Value	2016			2017		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
APIs			326	588,580		198	416,004
API intermediate		3,700	374	338,744	3,700	237	305,507
Others			874	107,079		871	105,995
Total		3,700	1,574	1,034,403	3,700	1,306	827,506

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

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

Note 3: In 2017, the capital expenditure was mainly from the drying process. This investment will not increase the overall production capacity; it will only increase the output of powder products.

D. Information services

Not applicable as this falls under IT services.

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

A. Retail of daily commodities and food

Unit: Thousand NT\$

Primary Product	Year	Sales Value in 2016	Sales Value in 2017
Retail of daily commodities and food		18,188,502	19,986,356

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.

B. Life insurance

Unit: Thousand NT\$/Policy/Person

Type of Insurance	2016		2017	
	Number of Effective	Total Premium	Number of Effective	Total Premium
Life Insurance	3,190,237	92,583,410	3,339,933	92,322,909
Health	8,343,817	34,119,388	8,518,649	35,295,450
Accident	3,238,562	3,110,263	3,375,033	3,253,347
Pension	55,772	299,337	49,913	308,253
Universal	28,812	762,703	27,180	696,649
Investment	259,358	1,374,784	265,766	1,757,927
Group Insurance	3,979,743	2,260,620	819,797	1,463,272
Total	19,096,301	134,510,505	16,396,271	135,097,806

Note: The number of effective contracts for personal insurance was the number of contracts, while the number of individuals was used instead for group insurance.

C. Pharmaceuticals

Unit: Tons/Unit: Thousand NT\$

Primary Product (or Department)	Year Production Volume/Value	2016				2017			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
APIs		42.92	70,039	287.14	1,145,195	16.27	36,736	211.42	740,425
API Intermediate		96.00	12,672	356.55	548,202	38.51	9,137	200.51	376,445
Others		1,041.29	126,992	0	0	865.86	135,596	1.00	2,711
Total		1,180.21	209,703	643.69	1,693,397	920.64	181,469	412.93	1,119,581

D. Information services

Unit: Thousand NT\$

Primary Product (or Department)	Year		2016				2017			
	Production Volume/Value		Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Automated Financial Service Machines	2,937	1,017,645					3,470	1,391,867		
System Integration Services		991,701						1,050,785		
Maintenance and Repairs		577,465						638,824		
Others		86,312		23,818				189,982		25,974
Total	2,937	2,673,123		23,818		3,470	3,271,458			25,974

3. Information of employees for the 2 most recent years

As of April 30, 2018

Major Invested Company	Year		2016	2017	As of April 30, 2018 (Note)
	Item				
Retail of Daily Commodities and Food	Number of Employees	General Employees	4,192	4,196	4,020
		Hourly Employees	2,937	3,065	3,063
		Total	7,129	7,261	7,083
	Average Age		28.46	29.62	29.89
	Average Years of Service		2.75	2.84	2.99
	Education Distribution (%)	PhD	0	0	0
		Master	0.80%	0.81%	0.72%
		University/College	44.65%	45.07%	45.45%
		High School	43.41%	37.73%	37.43%
Life Insurance	Number of Employees	Office Staff	1,604	1,613	1,604
		Field Staff	18,716	16,861	16,267
		Total	20,320	18,474	17,871
	Average Age		35.40	36.36	36.69
	Average Years of Service		6.26	7.20	7.51
	Education Distribution (%)	PhD	0.01%	0.01%	0.01%
		Master	5.39%	5.57%	5.66%
		University/College	71.47%	71.67%	71.61%
		High School	22.59%	22.29%	22.24%
Pharmaceuticals	Number of Employees	Managerial Level or Above	11	11	11
		General Employees	229	235	230
		Total	240	246	241
	Average Age		38.27	39.01	39.35
	Average Years of Service		8.17	8.77	9.14
	Education Distribution (%)	PhD	4.17%	3.66%	4.15%
		Master	14.17%	13.82%	14.11%
		University/College	51.67%	52.85%	52.28%
		Senior or Vocational High School	13.33%	13.82%	13.28%
Information Services	Number of Employees	Sales	42	53	52
		Hardware Services	249	295	295
		Software Services	155	186	185
		Administration	160	168	169
		Total	606	702	701
	Average Age		38.9	36.75	37.2
	Average Years of Service		7.7	6.7	6.15
	Education Distribution (%)	PhD	0.3%	0.15%	0.15%
		Master	7.4%	4.25%	3.8%
		University/College	90.5%	90.75%	91.15%
		High School	1.8%	3.85%	3.9%
		Below High School	0%	1%	1%

Note: For pharmaceuticals, information was acquired as of March 31, 2018; for information services, information was acquired as of May 15, 2018.

4. Environmental protection expenditure

Total losses (including damage awards) and losses (including fines) for environmental pollution during the most recent fiscal year up to the printing date of this 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):

A. Retail of daily commodities and food

The retail of daily commodities of the Company had no concern about environmental pollution and incurred no expense on environmental protection. All wastewater, garbage, and air pollution generated from the food retail sector of the Company have undergone anti-contamination treatments. A subcontracting fee amounting to NT\$7,180 thousand was paid to vendors every year to handle waste produced by the stores.

B. Life insurance

There was no compensation or penalty for losses caused by environment pollution. When selecting vendors, MLI examined whether the vendors protected the environment and generated no pollution, and would select those marked with environmental protection or energy conservation badges; when contracting construction, MLI would request contractors to dispose of waste properly; during the regular vendor evaluation, MLI would examine whether vendors had negative impacts on the environment; MLI would visit the operation of subcontractors on site on a regular basis to examine the safety of their employees in the operating environment and disposal of data and waste.

C. Pharmaceuticals

a. SCI Pharmtech is a professional API manufacturer and focuses greatly on 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. Disposal of any waste generated during production would be undertaken by processing equipment and professional personnel, or subcontracted to professional waste management agencies. The following describes the details of waste management:

(a) Status on applications for setup permits for polluting facilities or pollution release permits

① Wastewater treatment

A waste (polluting) water release permit (Fu-Huan-Shui-Tzu No.1060127512, Tao-Hsien-Huan-Pai-Hsu-Tzu No.H0558-06) was acquired from Taoyuan County Government.

② Exhaust gas treatment

Fixed source of pollution	Permit No.
Pharmaceutical production/general production process M01	Fu-Huan-Kong-Tzu No.1060296196, permit number for operations: H6175-00
Boiler and steam generating processes M02	Fu-Huan-Kong-Tzu No.1060031278, permit number for operations: H4714-03
Hating processes M03	Fu-Huan-Kong-Tzu No.1060031381, permit number for operations: H4715-03
Drug manufacturing/general manufacturing processes M04	Fu-Huan-Kong-Tzu No.1060031404, permit number for operations: H5777-01

③ 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.

④ General waste

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

(b) Payment of pollution prevention fees

In 2017, air pollution prevention fees paid amounted to NT\$722,495. Subcontracted processing fees amounted to NT\$43,373,988; internal processing expenses amounted to NT\$22,881,403.

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

A total of 9 employees 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) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA120070 Class A Wastewater And Sewage Treatment Specialist (94) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA060315 Class A Wastewater And Sewage Treatment Specialist (100) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA450783 Class A Wastewater And Sewage Treatment Specialist (101) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA140253
Toxic Chemical Control Specialists	Class B Permit for the Professional and Technical Control of Toxic Chemicals (89) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. JB280970
Waste Processing Specialist	Class A Waste Disposal Technician (92) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA020737 Class A Waste Disposal Technician (94) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA170156 Class A Waste Disposal Technician (102) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA060049

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

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

(a) SCI Pharmtech attaches great importance to environmental protection and has invested no small efforts in the setup of pollution prevention facilities, employee training programs for improving awareness for environmental protection, active provision of on-job training, and development of waste reduction processes for the purposes of preventing environmental protection issues.

(b) SCI Pharmtech 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.

(c) Environmental protection expenses have always been part of operational costs and were adequately reflected in product sales prices.

(d) Seek support from external research institutions and adopt advanced treatment equipment to improve waste treatment capabilities at lower costs.

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

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

D. Information services

MDS 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 benefits, continuing education, training, and retirement systems and the implementation situations, employer-employee agreements, and measures taken to safeguard employees' interests:
 - A. The Company and its primary invested companies have established the Employee Welfare Committee to stipulate adequate employee welfare plans as well as provision of bonuses for marriage, funerals, childbirth, and other personal celebrations. The Company also holds occasional tours, vacations, and various cultural and welfare events. Annual bonuses are released according to overall business performance every year.
 - B. The Company and its primary invested companies 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 2017, a total of 60,412 individuals participated in preliminary training and on-job training held inside and outside the Company. Total training expenses amounted to NT\$20,821 thousand.
 - C. The 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.
 - D. The Company publishes policies and communicates with employees openly, and convenes employer-employee meetings on schedule to maintain harmonious labor relations; therefore, no labor dispute has ever occurred.
 - E. Implementation situations: In 2017, employee benefits, continuing education, training, and retirement systems were well implemented according to the regulations.
- (2) Losses arising from labor disputes in the recent year up to the printing date of this annual report, potential current and future losses, and countermeasures:
 - A. The Company always attaches great importance to employee benefits, two-way communication, and compliance with related laws and regulations; therefore, the labor relations are quite harmonious. Since the incorporation of the Company, there has been no labor dispute, resulting in any loss. The Company will continue to improve employer-employee communication and do our best to provide employee benefits properly to enhance the harmonious nature of labor relations and eliminate the possibility of labor disputes.
 - B. Potential current and future losses: NT\$0.
 - C. Countermeasures: None.
- (3) Protective measures for the safety of the workplace and personal safety of the employees:

In addition to passing regular public safety inspections conducted every year, the Company also purchases public accident insurance and strengthened group insurance for

employees every year. The Employee Welfare Committee of the Company also provides employees various consolations for accidents and other forms of benefits

6. Important contracts:

The parties, major contents, restrictive terms, and start/end dates of major contracts that could affect the shareholders' equity, such as supply contracts, technical partnership contracts, construction contracts, and long-term loan contracts that are still effective by the printing date of this annual report or have expired in the most recent fiscal year, shall be listed below:

Nature of the Contract	Party	Start/End Dates of the Contract	Major Content	Restrictive Terms
Loan contract	Land Bank of Taiwan	2018.02~2021.02	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taipei Fubon Bank	2018.01~2020.01	Long-term loan to support operation capital and improve financial structure	None
Loan contract	CTBC Bank	2017.12~2019.12	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	O-Bank and 13 other banks participating in the warranted syndicated loan	2017.12~2022.12	Syndicated loan in response to medium-term working capital and improvement in the financial structure	Note 1
Loan contract	Hua Nan Bank	2017.11~2020.11	Long-term loan to support operation capital and improve financial structure	Note 2
Loan contract	Bank SinoPac	2017.08~2019.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Yuanta Bank	2017.08~2019.08	Long-term loan to support operation capital and improve financial structure	Note 2
Loan contract	Bank SinoPac	2017.08~2019.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	E. Sun Bank	2017.08~2019.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Shin Kong Bank	2017.08~2019.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	O-Bank	2017.07~2020.07	Long-term loan to support operation capital and improve financial structure	None
Loan contract	First Bank	2017.07~2019.07	Long-term loan to support operation capital and improve financial structure	None
Loan contract	O-Bank	2017.06~2020.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	JihSun Bank	2017.06~2019.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	JihSun Bank	2017.06~2019.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	First Bank	2017.06~2019.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	KGI Bank	2017.06~2019.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Yuanta Bank	2016.10~2019.10	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	Taishin International Bank and 11 other banks participating in the syndicated loan	2015.12~2020.12	Syndicated loan in response to medium-term working capital and improvement in the financial structure	Note 1

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 medium-term working capital and improvements in financial structure of the Company. Terms of the syndicated loan contract stipulated that the Company must maintain a specified current ratio, tangible net worth ratio, and interest coverage ratio every year for the duration of the loan.

Note 2: The Company applied for long-term commercial paper loans with Yuanta Bank and Hua Nan Bank in response to medium-term working capital and improvements in financial structure of the Company. Terms of this loan contract stipulated that the Company must maintain a specified debt ratio and net worth value for the duration of the loan.

VI. Financial Information

1. Five-year financial summary

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

1. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: Thousand NT\$

Year Item		Financial Summary for The Last Five Years					From this year to Financial information of March 31, 2018 (Note 1)
		2014	2015	2016	2016	2017	
Current assets		141,927,020	149,122,046	165,333,265	149,832,739	152,552,568	131,859,035
Property, plant, and equipment (PP&E) (Note 2)		12,491,573	13,927,351	14,629,851	15,400,800	15,272,753	15,178,165
Intangible assets		68,844	66,112	68,257	61,612	127,112	148,033
Other assets		563,033,471	656,676,636	699,047,326	803,493,776	904,522,834	953,180,532
Total assets		717,520,908	819,792,145	879,078,699	968,788,927	1,072,475,267	1,100,365,765
Current liabilities	Before distribution	11,628,804	17,551,579	11,509,108	13,941,747	14,218,340	16,053,708
	After distribution	12,105,772	17,960,400	11,917,912	14,442,526	14,830,709 (Note 3)	--
Non-current liabilities		682,329,873	774,415,265	838,889,481	921,284,469	1,017,405,443	1,047,002,609
Total liabilities	Before distribution	693,958,677	791,966,844	850,398,589	935,226,216	1,031,623,783	1,063,056,317
	After distribution	694,435,645	792,375,665	850,807,393	935,726,995	1,032,236,152 (Note 3)	--
Total equity attributable to owners of the parent		10,383,316	11,940,103	11,593,981	14,119,373	16,916,015	15,309,762
Common stock		6,813,829	6,813,689	6,813,409	7,153,989	7,654,617	7,654,587
Capital surplus		872,118	897,836	965,886	1,032,182	1,012,896	1,012,858
Retained earnings	Before distribution	4,832,629	5,482,195	6,449,865	7,816,486	8,410,394	7,526,356
	After distribution	4,355,661	5,073,374	5,700,391	6,814,928	7,185,656 (Note 3)	--
Other equity interest		(1,602,588)	(720,945)	(2,102,507)	(1,350,612)	370,780	(351,367)
Treasury stocks		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Non-controlling interest		13,178,915	15,885,198	17,086,129	19,443,338	23,935,469	21,999,686
Total equity	Before distribution	23,562,231	27,825,301	28,680,110	33,562,711	40,851,484	37,309,448
	After distribution	23,085,263	27,416,480	28,271,306	33,061,932	40,239,115 (Note 3)	--

Note 1: The consolidated financial statement for 1st quarter of 2018 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. Net of NT\$ 8,153,000 of reserve for land revaluation increment tax (listed as a long-term liability), leaving a remainder of about NT\$ 8,796,000 has reclassified to retained earnings in accordance with Taiwan IFRSs starting from January 1, 2012.

Note 3: Appropriation of net income for 2017 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, 2018 (Note 1)
	2013	2014	2015	2016	2017	
Operating revenue	173,585,978	186,759,179	192,967,661	205,368,649	238,955,722	65,183,051
Operating margin(loss)	--	--	--	--	--	--
Net operating income (loss)	--	--	--	--	--	--
Non-operating income and expense	--	--	--	--	--	--
Profit (loss) before tax	1,913,352	2,661,242	4,217,333	3,770,725	3,824,660	(1,190,759)
Net profit (loss) from continuing operations	1,842,445	2,634,762	3,133,276	3,616,744	3,396,996	(674,108)
Income from discontinued operations	--	--	--	--	--	--
Net profit (loss) for the year	1,842,445	2,634,762	3,133,276	3,616,744	3,396,996	(674,108)
Other comprehensive income (loss) (income after tax)	(5,364,207)	1,419,865	(3,051,527)	1,533,820	3,585,105	(3,582,108)
Total comprehensive income for the year	(3,521,762)	4,054,627	81,749	5,150,564	6,982,101	(4,256,216)
Net profit (loss) attributable to Owners of parent	918,884	1,259,900	1,474,715	2,049,513	1,640,955	(264,065)
Net profit (loss) attributable to Non-controlling	923,561	1,374,862	1,658,561	1,567,231	1,756,041	(410,043)
Total comprehensive income (loss) attributable to Owners of parent	(1,388,855)	2,003,571	(7,267)	2,866,570	3,389,212	(1,949,810)
Total comprehensive income (loss) attributable to Non-controlling interests	(2,132,907)	2,051,056	89,016	2,283,994	3,592,889	(2,306,406)
Earnings per share	1.27	1.75	2.04	2.84	2.27	(0.37)

Note 1: The consolidated financial statement for the 1st quarter of 2018 has been reviewed by CPA.

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

1. Individual Condensed Balance Sheet – Based on IFRS

Unit: Thousand NT\$

Year Item		Financial Summary for The Last Five Years				
		2013	2014	2015	2016	2017
Current assets		2,275,875	2,627,287	387,184	252,171	271,234
Property, plant, and equipment (PP&E) (Note 1)		2,514,379	2,411,289	392,983	414,256	380,724
Intangible assets		8,022	6,045	--	--	--
Other assets		15,893,917	18,135,670	19,346,630	21,819,613	24,936,956
Total assets		20,692,193	23,180,291	20,126,797	22,486,040	25,588,914
Current liabilities	Before distribution	2,248,170	2,089,064	219,479	94,626	177,800
	After distribution	2,725,138	2,497,885	628,283	595,405	790,169 (Note 2)
Non-current liabilities		8,060,707	9,151,124	8,313,337	8,272,041	8,495,099
Total liabilities	Before distribution	10,308,877	11,240,188	8,532,816	8,366,667	8,672,899
	After distribution	10,785,845	11,649,009	8,941,620	8,867,446	9,285,268 (Note 2)
Common stock		6,813,829	6,813,689	6,813,409	7,153,989	7,654,617
Capital surplus		872,118	897,836	965,886	1,032,182	1,012,896
Retained earnings	Before distribution	4,832,629	5,482,195	6,449,865	7,816,486	8,410,394
	After distribution	4,355,661	5,073,374	5,700,391	6,814,928	7,185,656 (Note 2)
Other equity interest		(1,602,588)	(720,945)	(2,102,507)	(1,350,612)	370,780
Treasury stock		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Total equity	Before distribution	10,383,316	11,940,103	11,593,981	14,119,373	16,916,015
	After distribution	9,906,348	11,531,282	11,185,177	13,618,594	16,303,646 (Note 2)

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 an asset value increase of about NT\$ 17,407,000. Net of NT\$ 8,153,000 of reserve for land revaluation increment tax(listed as a long-term liability), leaving a remainder of about NT\$ 8,796,00 has reclassified to retained earnings in accordance with Taiwan IFRSs starting from January 1,2012.

Note 2: Appropriation of net income for 2017 have yet to be ratified by the stockholder's meeting

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

Unit: Thousand NT\$

Item \ Year	Financial Summary for The Last Five Years				
	2013	2014	2015	2016	2017
Operating revenue	12,604,646	14,614,261	1,907,589	2,354,851	1,963,153
Operating margin(loss)	4,145,149	5,643,562	1,874,935	2,301,870	1,947,412
Net operating income (loss)	133,740	1,379,322	1,720,117	2,154,290	1,807,427
Non-operating income and expense	895,063	(119,422)	(92,360)	(105,295)	(64,998)
Profit (loss) before tax	1,028,803	1,259,900	1,627,757	2,048,995	1,742,429
Net profit (loss) from continuing operations	918,884	1,259,900	1,474,715	2,049,513	1,640,955
Income from discontinued operations	--	--	--	--	--
Net profit (loss) for the year	918,884	1,259,900	1,474,715	2,049,513	1,640,955
Other comprehensive income (loss) (income after tax)	(2,307,739)	743,672	(1,481,982)	817,056	1,748,257
Total comprehensive income for the year	(1,388,855)	2,003,572	(7,267)	2,866,569	3,389,212
Net profit (loss) attributable to Owners of parent	918,884	1,259,900	1,474,715	2,049,513	1,640,955
Net profit (loss) attributable to Non-controlling interests	--	--	--	--	--
Total comprehensive income (loss) attributable to Owners of parent	(1,388,855)	2,003,572	(7,267)	2,866,569	3,389,212
Total comprehensive income (loss) attributable to Non-controlling interests	--	--	--	--	--
Earnings per share	1.27	1.75	2.04	2.84	2.27

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

Year	Accounting firm	Name of the CPA	Audit opinions	Details
2017	BDO Taiwan	Liu,Ke-Yi and Hsu,Kun-Hsi	Unqualified opinion	-
2016	BDO Taiwan	Liu,Ke-Yi and Hsu,Kun-Hsi	Unqualified opinion	-
2015	BDO Taiwan	Liu,Ke-Yi and Hsu,Kun-Hsi	Revised and unqualified opinions	-
2014	BDO Taiwan	Hsu,Kun-Hsi and Chang,Shu-Cheng	Revised and unqualified opinions	-
2013	BDO Taiwan	Hsu,Kun-Hsi and Chang,Shu-Cheng	Revised and unqualified opinions	-

2. Five-year financial analysis

(1) Consolidated Financial Analysis – Based on IFRS

Year Item analyzed (Note 2)		Financial analysis for the last five years					From this year to March 31, 2018 (Note 1)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt Ratio	96.72	96.61	96.74	96.54	96.19	96.61
	Ratio of long-term capital to property, plant and equipment	5,650.30	5,760.18	5,930.13	6,199.98	6,929.05	7,143.89
Solvency (%)	Current ratio	1,220.45	849.62	1,436.54	1,074.71	1,072.93	821.36
	Quick ratio	1,189.34	828.68	1,401.68	1,042.83	1,041.62	794.50
	Interest earned ratio (times)	1,518.63	1,880.73	2,761.79	2,589.88	2,953.90	--
Operation performance	Accounts receivable turnover (times)	2.22	2.39	2.52	2.53	2.55	2.22
	Average collection period	164.33	152.46	144.93	144.46	142.95	164.43
	Inventory turnover (times)	3.03	3.30	3.50	3.43	3.69	3.96
	Accounts payable turnover (times)	4.80	5.46	6.42	6.37	6.75	7.78
	Average days in sales	120.46	110.61	104.29	106.41	98.92	92.17
	Property, plant, and equipment turnover (times)	15.86	14.14	13.51	13.68	15.58	17.12
	Total asset turnover(times)	0.26	0.24	0.23	0.22	0.23	0.24
Profitability	Return on total assets (%)	0.29	0.36	0.38	0.41	0.34	(0.24)
	Return on equity (%)	7.37	10.25	11.09	11.62	9.13	(6.90)
	Ratio of income before tax to paid-in capital (%)	28.08	39.06	61.90	52.71	49.97	(62.22)
	Profit ratio (%)	1.06	1.41	1.62	1.76	1.42	(1.03)
	Earnings per share (NT\$)	1.27	1.75	2.04	2.84	2.27	(0.37)
Cash flow	Cash flow ratio (%)	817.66	411.26	426.73	675.21	719.74	--
	Cash flow adequacy ratio (%)	682.14	618.69	564.91	692.48	854.60	1,102.69
	Cash reinvestment ratio (%)	13.29	8.88	5.55	9.76	9.58	--
Leverage	Operating leverage (DOL)	--	--	--	--	--	--
	Financial leverage (DFL)	--	--	--	--	--	--

Description of causes for changes in financial ratios in the most recent two years.

(Analysis is not required if the change is within 20 %.)

1. Decrease in return on equity: The decrease was mainly due to the increase in equity arising from the rise in unrealized profit valuated from available-for-sale financial assets for life insurance in 2017.
2. Decrease in earnings per share: The decrease was mainly due to the decrease in investment income and the increase in income tax arising from surtax on undistributed earnings.
3. Increase in cash flow adequacy ratio: The increase was mainly due to the increase in cash flow from operating activities arising from the increase in unrealized foreign exchange loss and the decrease in financial assets at fair value through profit or loss in 2017.

Note 1: The consolidated financial statements for the first quarter of 2018 have been reviewed and approved by the CPAs.

Note 2: The insurance industry has no operating profit, so operating leverage and financial leverage are not calculated.

Note 3: Calculation formulas are provided below.

(2) Individual Financial Analysis – Based on IFRS

Item analyzed (Note 1)		Financial analysis for the last five years				
		2013	2014	2015	2016	2017
Financial structure (%)	Debt Ratio	49.82	48.49	42.40	37.21	33.89
	Ratio of long-term capital to property, plant and equipment	733.54	874.69	5,065.69	5,405.21	6,674.42
Solvency (%)	Current ratio	101.23	125.76	176.41	266.49	152.55
	Quick ratio	28.41	46.31	176.08	266.18	152.20
	Interest earned ratio (times)	897.21	1,006.21	1,424.18	1,783.93	1,796.09
Operating performance	Accounts receivable turnover (times)	77.63	89.96	22.30	86.02	78.64
	Average collection period	4.70	4.06	16.37	4.24	4.64
	Inventory turnover (times)	4.11	4.56	0.03	--	--
	Accounts payable turnover (times)	5.76	6.47	0.05	445.22	--
	Average days in sales	88.81	80.04	--	--	--
	Property, plant, and equipment turnover (times)	5.62	5.93	1.36	5.83	4.94
	Total asset turnover (times)	0.60	0.67	0.09	0.11	0.08
Profitability	Return on total assets (%)	4.85	6.27	7.38	10.09	7.18
	Return on equity (%)	8.15	11.29	12.53	15.94	10.57
	Ratio of income before tax to paid-in capital (%)	15.10	18.49	23.89	28.64	22.76
	Profit ratio (%)	7.29	8.62	77.31	87.03	83.59
	Earnings per share (NT\$)	1.27	1.75	2.04	2.84	2.27
Cash flow	Cash flow ratio (%)	12.98	36.99	6.18	178.09	360.02
	Cash flow adequacy ratio (%)	27.24	31.15	33.95	27.48	34.14
	Cash reinvestment ratio (%)	(1.73)	1.33	(1.97)	(1.07)	0.55
Leverage	Operating leverage (DOL)	1.00	1.00	1.00	1.00	1.00
	Financial leverage (DFL)	28.52	1.11	1.08	1.06	1.06
Description of causes for changes in financial ratios in the most recent two years. (Analysis is not required if the change is within 20 %.)						
1. Increase in ratio of long-term capital to property, plant, and equipment: The increase was mainly due to the increase in shareholders' equity arising from the rise in unrealized profit valuated from available-for-sale financial assets for life insurance in 2017.						
2. Increase in current ratio and quick ratio: The increase was mainly due to the decrease in financial assets at fair value through profit or loss in 2017.						
3. Decrease in total asset turnover, return on total assets, and ratio of income before tax to paid-in capital: The decrease was mainly due to the decrease in investment income in 2017.						
4. Decrease in return on equity and earnings per share: The decrease was mainly due to the decrease in investment income and the increase in income tax arising from surtax on undistributed earnings.						
5. Increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: The increase was mainly due to the increases in cash flow from operating activities arising from the increase in cash dividends received in 2017.						

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 Property, plant, and equipment = (Net shareholder equity + Long-term liabilities) / Net Property, plant, and equipment

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) Property, plant, and equipment turnover = Net sales / Average net Property, plant, and equipment

(7) Total asset 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 equity = Net income / Average total equity

(3) Profit ratio = Net income / Net sales

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

5. Cash flow

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

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

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

6. Leverage

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

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

3. Supervisors' review report for the most recent year

Reviewed Report

To the Supervisor:

We have audited the accompanying 2017 various statements of MERCURIES & ASSOCIATES HOLDING, LTD., which include the balance sheet of December 31, 2017, and the statements of comprehensive income, changes in equity and cash flow statement, and consolidated financial statement of the same date, as well as earnings distribution statement and business report of 2017. We conducted our audits in accordance with the auditing standards generally accepted in the Republic of China.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Contents of the business report and figures related to the financial statement were consistent with the aforementioned financial statements. The earnings distribution statement was also compliant to the Articles of Incorporation.

Sincerely,

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

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

BDO Taiwan
CPA Chang,Shu-Cheng
March 23, 2018

Mercuries & Associates Holding, LTD.
Supervisors' Review Report

2017 Consolidated Financial Statement and Individual Financial Statements of the Company submitted by the Board of the Directors, have been audited by CPA Liu,Ke-Yi and Hsu,Kun-Shi of BDO Taiwan. All Supervisors of the Company have verified the above along with the Company's Business Report and Earnings Distribution, and we are of the opinion that misstatement has not been found. Hence, we have issued the above statement for your reference and inspection in accordance with Article 219 of the Company Act.

To

2018 Annual Shareholders' Meeting

Supervisor: Shuren Investment Co., Ltd.

Representative: Liu,Chien-Chih

Supervisor: Cheng,I-teng

April 30, 2018

4. Consolidated financial statements for the years ended December 31, 2017 and 2016, and independent auditors' report
Please refer to page 91 of the Chinese annual report.
5. Individual financial statements for the years ended December 31, 2017 and 2016, and independent auditors' report
Please refer to page 252 of the Chinese annual report.
6. Any financial difficulties experienced by the company and its affiliated enterprises as well as the impact of the said difficulties on the financial condition of the Company : None

VII. Review of Financial Conditions, Operating Results, and Risk Management

1. Financial position:

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

Unit: Thousand NT\$

Item \ Year	2017	2016	Difference	Proportion of change %	Notes
Current assets	152,552,568	149,832,739	2,719,829	1.82%	
Property, plant, and equipment	15,272,753	15,400,800	(128,047)	(0.83%)	
Intangible assets	127,112	61,612	65,500	106.31%	
Other assets	904,522,834	803,493,776	101,029,058	12.57%	
Total assets	1,072,475,267	968,788,927	103,686,340	10.70%	
Current liabilities	14,218,340	13,941,747	276,593	1.98%	
Non-current liabilities	1,017,405,443	921,284,469	96,120,974	10.43%	
Total liabilities	1,031,623,783	935,226,216	96,397,567	10.31%	
Common stock	7,654,617	7,153,989	500,628	7.00%	
Capital surplus	1,012,896	1,032,182	(19,286)	(1.87%)	
Retained earnings	8,410,394	7,816,486	593,908	7.60%	
Other equity	370,780	(1,350,612)	1,721,392	(127.45%)	1
Treasury stock	(532,672)	(532,672)	0	0.00%	
Non-controlling interest	23,935,469	19,443,338	4,492,131	23.10%	1
Total equity	40,851,484	33,562,711	7,288,773	21.72%	1
Analysis of changes in ratios: (analysis would not be required if the change is within 20%)					
1. Increase in other equity: The increase was mainly due to the increase in shareholders' equity arising from the rise in unrealized profit valuated from available-for-sale financial assets for life insurance industry in 2017.					

2. Financial performance:

Main reasons for any material changes in operating revenue, operating profit, and profit before tax in the most recent 2 years and sales volume forecast and its basis, and possible impact on the future finance of the Company and response measures:

(1) Analysis of financial performance:

Unit: Thousand NT\$

Item	2017	2016	Sum of the gain (loss)	Proportion of change (%)	Item analyzed
Total operating revenue	238,955,722	205,368,649	33,587,073	16.35%	
Total operating cost	(235,131,062)	(201,597,924)	(33,533,138)	16.63%	
Profit(loss) before tax from continuing operations	3,824,660	3,770,725	53,935	1.43%	
Income tax	(427,664)	(153,981)	(273,683)	177.74%	1
Net Profit(loss) from continuing operations	3,396,996	3,616,744	(219,748)	(6.08%)	
Analysis of changes in ratios: (analysis would not be required if the change is within 20%)					
1. Increase in income tax: The increase was mainly due to the increase in income tax arising from surtax on undistributed earnings.					

(2) Estimated sales volume and its basis:

Except that the pharmaceutical industry estimated the sales volume, the rest of the industries did not estimate the sales volume. The estimated sales volume of the pharmaceutical industry and its basis are as follows:

A. Estimated sales volume:

Item	Sales Volume (Ton)
APIs	291
API Intermediate	187
Others	865
Total	1,343

B. Basis:

The estimated sales volume in the above table came from the total budget for 2018 adopted by the Board of Directors. The sales volume was estimated based on the forecast of customers' demand, the Company's production capacity, the capacity for product development, and the forecast of new product launches.

(3) Possible impact on the future finance of the Company and response measures:

The Company and its invested businesses are all financially sound and expected to maintain stable operation in the future; therefore, there should be no major uncertainty in the future finance.

3. Cash flow:

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

Items \ Years	December 31, 2017	December 31, 2016	Proportion of change %
Cash flow ratio %	719.74%	675.21%	6.59%
Cash flow adequacy ratio %	854.60%	692.48%	23.41%
Cash reinvestment ratio %	9.58%	9.76%	(1.84%)
Analysis of the proportion of change: (analysis would not be required if the change is within 20%). 1. Increase in cash flow adequacy ratio: The increase was mainly due to the increase in cash inflow from operating activities arising from the decrease in financial assets at fair value through profit or loss in 2017.			

(2) Analysis of cash liquidity in 2017:

Unit: Thousand NT\$

Cash at beginning of year①	Cash flows from operating activities for the entire year②	Cash outflow for the entire year ③	Sum of cash surplus (inadequacy) ①+②-③	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
58,487,469	102,334,810	98,504,693	62,317,586	-	-
1. Analysis of changes to cash flow for this year: (1) Operating activities: Increase in cash inflow from operating activities was mainly due to the decrease in financial assets at fair value through profit or loss in 2017. (2) Investing activities: Decrease in cash outflow from investing activities at this period was mainly due to the decrease in debt instruments acquired by MLI from inactive markets. (3) Financing activities: Increase in cash inflow from financing activities was mainly due to MLI's capital increase by cash at this period. 2. Remedial measures and liquidity analysis for cash inadequacy: There is no cash inadequacy currently.					

(3) Cash liquidity analysis for the following year:

Unit: Thousand NT\$

Cash at beginning of year①	Expected cash flows from operating activities for the entire year ②	Expected cash outflow for the entire year③	Expected sum of cash surplus (or inadequacy) ①+②-③	Remedial measures for expected cash inadequacy	
				Investment plan	Financing plan
62,317,586	99,034,189	133,757,990	27,593,785	-	-
<p>1. Analysis of changes in cash flows for the year:</p> <p>(1) Operating activities: Decrease in cash inflow from operating activities in 2018 will be mainly due to realized profit on hedging instruments due to the appreciation of NTD in 2017 and the maturity of some pension insurance policies in 2018.</p> <p>(2) Investing activities: Increase in cash outflow from investing activities in 2018 compared to 2017 will be mainly due to the expected increase in shares and bond investments by MLI.</p> <p>2. Remedial measures and liquidity analysis for expected cash inadequacy: There is no current issue of cash inadequacy.</p>					

4. Major capital expenditure items:

(1) Retail of daily commodities and food

The capital expenditures in 2017 were mainly on the decoration of new stores. There was no significant capital expenditure in 2017.

(2) Life insurance

There was no significant capital expenditure in 2017

(3) Pharmaceuticals

Major capital expenditures in 2017 were on plant and equipment.

A.Expected benefits:

These capital expenditures were required to support growth of SCI Pharmtech. Business is still growing for SCI Pharmtech, and the newly acquired plant and equipment will be effectively utilized to benefit future operation.

B. Possible risks:

If the sales volume is not as expected, the negative impacts could include idling of production capacity and increased production costs.

C.Response measures:

Secure additional businesses and improve capacity utilization rate.

(4) Information services

There was no significant capital expenditure in 2017.

5. Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year:

(1) Profit/loss of invested companies in 2017: Please refer to pages 136~137 of this annual report.

(2) No individual investment project in the following fiscal year has accounted for more than 5% of the paid-in capital. However, the Company 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, the Company 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 year up to the printing date of this annual report:

(1) Changes in interest rates, exchange rates, and inflation and how these may impact the Company's profit or loss and future response measures:

A. Changes in interest rates

The major economies in the world are in an upswing cycle; with long-term inflation, the growth of salaries is still slow. Major central banks will maintain a certain degree of monetary easing. In the case of a prolonged period of economic recovery with plenty of capital in the market, credit spreads will remain low at an investment level. The Fed initiated the QE exit. In the initial stage, the reduction of its balance sheet is expected to have little impact on the gap between supply and demand in the government bond market. If the inflation rate continues to fall below 2%, the Fed will increase the rate slowly. It is expected that the yield curve will be flat.

a. Retail of daily commodities and food

Financial costs in 2017 amounted to NT\$22,479 thousand, accounting for 0.11% and 6.26% of net operating revenue and income before tax of the business unit respectively. The Company will 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 the Company.

b. Life insurance

Net income from interest on investments in 2017 amounted to NT\$29,564,679 thousand, accounting for 15.98% and 884.86% of net operating revenue and income before tax specified in the financial statements of the business unit respectively. The Company will continue to observe trends of interest rates, timely adjust investment portfolios, and draft appropriate strategies for investment.

c. Pharmaceuticals

There was no interest expense in 2017. Changes in market interest rates did not have any impact on relevant interest expenditures.

d. Information services

Net income from interest on investments in 2017 amounted to NT\$(11,386) thousand, accounting for (0.35) % and (13.00) % of net operating revenue and income before tax specified in the financial statements of the business unit respectively. The Company regularly evaluated lending interest rate in banks and maintained a positive relationship with various banks to acquire loans at competitive interest rates and reduce interest expenditures.

B. Changes in exchange rates

The trend of USD in 2018 may present a market correction. Factors conducive to the weakening of USD include (1) the economic stability in the emerging markets, (2) the better economic situation of the euro area than expected, and (3) the US government's tendency toward weaker USD. In addition, factors conducive to the strengthening of USD include (1) the blunted impact of geopolitical risks and (2) the Fed's continuous rise in interest rates. Therefore, it is expected that USD will become more neutral in the coming year.

In terms of RMB, after the People's Bank of China added the counter-cyclical factor to

the market, the speculative atmosphere in the market gradually decreased. It is expected that RMB will fluctuate along with the fundamentals in the long run to make RMB an international currency.

a. Retail of daily commodities and food

Most products were sold in the domestic market, so changes in exchange rates did not have a significant impact on the Company.

b. Life insurance

Net profits (losses) from currency exchange in 2017 amounted to NT\$(28,095,447,000), accounting for (15.19) % and (840.89) % of net operating revenue and income before tax specified in the financial statements of the business unit respectively. The Company will continue to observe the trends of exchange rates, make appropriate adjustments on hedging strategies, and reduce the impact of changes in exchange rates on corporate profitability.

c. Pharmaceuticals

Exchange losses in 2017 amounted to NT\$13.24 million. Changes in exchange rates had a significant impact on profits and losses. The Company will closely monitor changes in exchange rates and employ foreign exchange forward to hedge currency risks. The Company shall also adequately report adverse changes in exchange rates to our customers in a timely manner.

d. Information services

Net profits (losses) from currency exchange in 2017 amounted to NT\$10,505 thousand, accounting for 0.32% and 12.00% of net operating revenue and income before tax specified in the financial statements of the business unit respectively. The main response was the policy of risk diversification, where foreign currencies were purchased at more advantageous positions to avoid potential risks. The Company will continue to monitor the state of global finances and compile information on changes in exchange rates to determine the trends of exchange rates. These trends may be used as a reference for taking response measures against changes in exchange rates.

C. Inflation

a. Retail of daily commodities and food

Statistics from the Directorate-General of Budget, Accounting, and Statistics (DGBAS) showed an annual CPI increase of 0.65%. Commodity prices remained stable in 2017. The Company will constantly monitor price fluctuations in the raw material market and continue to maintain positive interactions with its suppliers. We shall also make continuous adjustments on our product portfolios and improve our margin structures to reduce cost burdens caused by future inflation and its impact on business operations.

b. Life insurance

Recent increases in energy costs and other factors have caused the inflation rate in the U.S. 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, the Company will continue to review the changes and trends of inflation throughout the world when purchasing assets, so as to prevent return on investment from being eroded by inflation.

c. Pharmaceuticals

Changes in product manufacturing costs and operating expenses amounted to NT\$0.9 billion in 2017. An increase of 2% in the inflation rate will increase expenses by NT\$18 million. Inflation is a symptom of the overall economic environment, meaning that there are few response measures that the Company can take. Potential responses of the Company include adequately increasing raw material inventory and increasing selling prices.

d. Information services

Given the nature of the industry, inflation would not result in significant impacts on the Company. However, we will continue to monitor the 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:

A. Retail of daily commodities and food

Loans to other parties, endorsements/guarantees, and derivatives trading were performed by the Company based on the policies and response measures stipulated in the Procedures for Acquisition and Disposal of Assets, the Procedures Endorsement and Guarantee, and the Procedures for Lending Funds to Other Parties.

B. Life insurance

- a. Engagement in high-risk or highly-leveraged investments: The Company has not made any highly leveraged investments.

- b. Loans to other parties and endorsements/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. Therefore, the Company has not made financial loans to other parties or provided endorsements or guarantees. In addition, the Company made loans according to the provisions of Article 146-3 of the Insurance Act.

- c. Derivatives trading:

The Company only engaged in the trading of derivatives already approved by the competent authority mainly for the purpose of hedging. The profits or losses of these derivatives were hedged against the specified product. Profits or losses of derivatives were regularly evaluated, while associated activities were inspected accordingly to control changes in exchange rates, interest rates, and market prices.

In the future, the Company will make proper use of adequate hedging instruments and strictly abide by the related regulations to achieve risk diversification, improve the stability of investment income, and maximize its interests.

C. Pharmaceuticals

- a. Policy: The Company always focuses on its scope of business and does not engage in high-risk or highly-leveraged investment activities. In 2017, the Company made no capital loan to other parties nor provided any endorsement or guarantee. All derivatives trading were carried out for the purpose of hedging. The Company will continue to strictly abide by related procedures for derivatives trading stipulated by both the competent authorities and the Company, thoroughly review any associated activities and strengthen the controls.
- b. Cause of profit or loss: N/A.
- c. Future response measures: None.

D. Information services

- a. High risk and highly leveraged investments, and derivatives trading:
The Company has adopted a conservative financial policy and neither engages in any high-risk or highly-leveraged investment nor derivatives trading. If the Company engages in such trading in the future, risk hedging will be the primary purpose, and the said trading will be compliant with the provisions of the Procedures for Acquisition and Disposal of Assets (including derivatives trading) stipulated by the Company.
- b. Loans to other parties, endorsements/guarantees
Loans to other parties and endorsements/guarantees carried out by the Company were compliant with the provisions of the Procedures for Lending Funds to Other Parties and the Procedures Endorsement and Guarantee, and were only initiated with the approval of the Board of Directors.

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

A. Retail of daily commodities and food

The business sector of daily commodities will tap into catering services and e-commerce and increase visits and consumption of existing members in cooperation with Palm Box; the Group's food retail sector expects to launch a Japanese dumplings and fried chicken store and continues to adjust product flavors of old products. Total R&D expenses amounted to NT\$3,144 thousand in 2017, accounting for 0.88% of income before tax of the business sector. The expected R&D investment in 2018 is NT\$3,780 thousand.

B. Life insurance

In addition to providing comprehensive life insurance products and services for our clients, MLI was also committed to satisfying the customers' requirements for insurance and wealth management. MLI constantly monitored market changes and developed protective and saving life insurance as well as health insurance and personal accident insurance with multiple forms of coverage and payment models to cater to market demands. MLI also continued to develop innovative and pioneering products within the sector to develop new business forms for specific groups. To meet the requirements of specific groups, MLI has established insurance policies for women, men, children, as well as mothers and their children. Results of evaluations of current market trends conducted by the decision-making team also led us to believe that Taiwan will soon face the problem of aging society. In addition to long-term care (or care-related) insurance products, MLI also released whole-life health insurance for disability care in 2017. The large potential market for retirement allowances was also considered. The R&D team therefore invested significant efforts in developing the first group annuity insurance product at home, providing diverse tools. 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 required by the Product Department to develop new products. Total R&D expenses in 2018 are expected to amount to NT\$28,263 thousand.

C. Pharmaceuticals

R&D Project Name	Current Progress	Expected Completion Time Mass Production Time	Key Factors Influencing R&D Success	Expected R&D Investments
Mara-IMB	Process improvement	June 2018	Key technology	Commercialization plans in the future will require an additional R&D investment of about NT\$40 million.
Marariroc	Process improvement	September 2018	Key technology	
AEHPA	Under development	December 2018	Key technology	
Dextromethophan	Under development	December 2018	Key technology	

D. Information services

To provide software applications integrated with high-value IT services for corporate clients, we shall continue to perfect business technologies and adopt an R&D philosophy to satisfy customers' requirements. We shall also continue to develop next-generation IT products and unique financial products for innovative sectors. Expected R&D investments will be maintained at an annual sum of NT\$130,000 thousand and adjusted according to business performance.

(4) Changes in local and overseas policies and laws, impact on the Company's finances and operations, and response measures:

A. Retail of daily commodities and food

The Company's operating departments are constantly vigilant of changes in policies and laws pertaining to our business departments. We shall continue to consult professional opinions from our management, attorneys, and CPAs about response measures to comply with the laws and reduce the impact on the finances of the Company.

B. Life insurance

- a. Change in the law: Guidelines for Anti-Money Laundering and Combat against Financing of Terrorism by Insurance Companies formulated by the Financial Supervisory Commission on February 2, 2017.

Impact and response measures:

Units and supervisors were assigned to implement anti-money laundering and combat against financing of terrorism and organize related training according to the law. External consultants were also engaged to help related departments establish the KYC and review mechanisms for anti-money laundering and combat against financing of terrorism; the policy and procedures for examining the identity of customers and related parties, especially those suspicious of being involved in money laundering, were also set up to implement the reporting mechanism.

- b. Article 2 of the Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises formulated by the Financial Supervisory Commission on March 21, 2017. This explanation order outlined that renewable energy technology, Asia Silicon Valley biomedical technology, national defense, smart machinery, new agriculture, and circular economy apply to the other use of insurer's funds in line with the government policies, as specified in Article 2, providing more applications of funds for insurance projects.

Impact and response measures:

The Company has not made any investments based on this order. In the future, the Company may participate in investments with acceptable risk levels to increase income from investment.

- c. Changes to law: Regulations Governing Foreign Investments by Insurance Companies amended by the Financial Supervisory Commission on June 14, 2017.

- (a) The investment in foreign dominant financial bonds (same as corporate bonds) and the amount of investment in bonds and shares issued or guaranteed by the same bank shall not exceed 10% of the owners' equity of the issuing or guaranteeing bank.
- (b) The total amount of investment in foreign corporate bonds having an issue rating equivalent to BBB to BB+ (originally BBB+ to BB+ before the amendment) from a foreign credit rating agency shall not exceed 6% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher; moreover, the total amount of investment in foreign securities in the custody of the domestic custodian shall not exceed 7% or 7.5% (after the amendment) of the insurer's approved foreign investment limit.
- (c) A privately offered fund shall refer to a privately offered fund that invests in private equity, private debt and real estate.
- (d) For the investment in foreign callable bonds, the non-redeemable period shall be from the issue date to the last day of the non-redeemable period for at least 5 years; for those acquired from the secondary market, the non-redeemable period shall be from the settlement date to the last day of the non-redeemable period for at least 3 years.
- (e) An insurer that invests in overseas or Mainland China area real estate shall disclose the information about whether they are regulated by related regulations in the notes to its annual financial statements; in case of major events, an insurer that invests in overseas or Mainland China area real estate shall report to the competent authority within 7 days.

Impact and response measures:

- (a)~(b) The dominant financial bonds and the concentration of financial bonds were limited. The Company invested within an acceptable risk range, so the change in the law had a limited impact on income from investment.
- (c) The amendment to the definition of privately offered funds would be conducive to compliance by insurance companies in the course of investment.
- (d) The new restriction on the non-redeemable period did impact the scope of investment and income from investment, but also reduced the risk of reinvestment.
- (e) The Company has amended the Procedures for Disposing of Real Estate Invested Overseas or in Mainland China according to the law.
- (f) The Company has amended the Regulations Governing Risk Management of Fixed Income Assets Overseas or in Mainland China.
- d. Changes to law: Regulations for Establishment, Transfer, or Withdraw Branch Units by Insurance Enterprises amended by the Financial Supervisory Commission on August 22, 2017. In case of any change in the person in charge or address of a foreign representative office, insurance companies shall report to the competent authority for review.

Impact and response measures:

After the change in the person in charge or address of a representative office is approved and the change in the business registration is completed by the China Insurance Regulatory Commission, the new person in charge or address will be forwarded to the Compliance Office, which is responsible to report to the competent authority for review.

- e. Changes to law: Regulations Governing Derivatives Transactions Conducted by

Insurance Companies amended by the Financial Supervisory Commission on August 23, 2017.

- (a) Considering insurance companies may engage in derivatives trading, including investment in structured products with considerable risks, insurance companies shall set up clear strategies before making such investment. The Regulations stipulate that the strategy for investing in structured products by insurance companies shall be included in the Procedures for Derivatives Trading. (Amended Article 13)
- (b) When investing in structured products, insurance companies have the necessity of regularly evaluating whether the performance of positions held is in line with the preset strategy and risk exposure. The Regulations stipulate that the assessment of the positions of the structured products, as well as the evaluation of whether the performance is in keeping with the preset strategies and whether the risk exposure may undermine the financial soundness shall be implemented on a monthly basis. (Amended Article 14)
- (c) At present, the internal audit report prepared by insurance companies is reported or exempt from reporting to the competent authority according to Paragraph 2, Article 20 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises. The Regulations delete the provision that insurance companies shall submit the audit report on derivatives trading to the competent authority for reference. (Amended Article 16)

Impact and response measures:

- (a)~(c) The Company has proposed the amendment to the Procedures for Derivatives Trading to the shareholders' meeting and acted according to the amended procedures.
 - (d) In the monthly report on the evaluation of derivatives hedging performance, the evaluation of whether the investment in structured products is in keeping with the preset strategies and whether the risk exposure may undermine the financial soundness was added.
- f. Changes to law: Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises amended by the Financial Supervisory Commission on October 19, 2017. Amended articles include Articles 3, 5, 7, 8, 11, 17, 20, 21, 26, 29, 30, 30-1, 32, 33, 38, and 40; Articles 4-1 and 36-1 were added.

Impact and response measures:

The following three response measures were taken:

- (a) The Company amended the Procedures for Insurance Product Development and Management.
 - (b) The Company added corporate risk management and risk and solvency self-assessment and had the Risk Management Department review related internal regulations and amend the Procedures for Solvency Assessment.
 - (c) The Company proposed the Regulations Governing Reporting of Major Incidents to the Board of Directors for adoption according to the law and then incorporated the regulations into the procedures for internal control and reported to the Board of Directors.
 - (d) The Company amended the compliance system and the Codes of Ethical Conduct.
- g. The Financial Supervisory Commission amended Article 2 of the Guidelines for

Implementation of E-commerce by Insurance Companies on November 20, 2017. This amendment stipulates that insurance companies shall provide online insurance services in accordance with the Anti-Financing of Terrorism Act, the Regulations Governing Anti-Money Laundering of Financial Institutions, and the Internal Control Guidelines for Anti-Money Laundering and Combat against Financing of Terrorism by Insurance Companies. The amendment to Point 1, Paragraph (1), Article 9 adds APP platforms to online insurance services provided by insurance companies.

Impact and response measures:

Article 2: The Policyholder Service Department's online automated trading services, such as purchase, withdrawal, and loan have been included in the suspicious activity monitoring. Payers have been monitored based on the blacklist database by the Compliance Office. As a result, it is in compliance with the amended regulations and laws.

Point 1, Paragraph (1), Article 9: The Policyholder Service Department's online automated trading services are only available in the policyholder area and the APP policyholder area on the official website. As a result, it is in compliance with the amended regulations and laws

- h. Changes to law: Article 7 of the Required Qualification and Directions for Life Insurance Companies to Engage in Foreign-currency Denominated Non-investment-linked Life Insurance Business amended by the Financial Supervisory Commission in the Order No.10610949581 that shall take effective on December 25, 2017. To expand the market scale of RMB business and product innovation, the sale limits specified in Subparagraph 3, Paragraph 3 and Paragraph 4 of Article 7 are deleted.

Impact and response measures:

Starting from December 25, 2017, the Company stopped monitoring the sale limits of RMB insurance policies.

- i. Changes to law: Article 3 of the Guideline Governing Reserves for Changes in Foreign Exchange Price by Life Insurance Companies amended by the Financial Supervisory Commission on January 26, 2018. To strengthen the function of the reserves for changes in foreign exchange price by life insurance companies and the management of foreign exchange risks, the fixed rate of deposits is raised from 4.2% to 5%. The monthly balance of reserves shall not be less than 20% of the accrued balance at the end of previous year and the averaged accrued balance at the end since 2012 to the previous year, whichever is higher (minimum offset). When the minimum offset of reserves is reached for 3 consecutive months, the fixed rate of deposits for profit on exchange of non-hedged foreign currency assets specified in Subparagraph 1 shall be raised to 75%, and the accrued balance of reserves shall at minimum be raised to 3 times of the minimum offset.

Impact and response measures:

- (a) The increase in the fixed rate of deposits and the amendment to the minimum offset could affect the income statement in the short run; due to the small amount, however, they will not affect the Company in the long run. When the minimum offset of reserves is reached for 3 consecutive months, the Company's ability to absorb exchange losses can be strengthened.
- (b) The Company corrected the accounting worksheets.
- (c) The Company amended the Regulations Governing Foreign Exchange Risks.

- j. Change in the law: Articles 15-2 and 67 of the Guidelines for Review of Life Insurance Products amended by the Financial Supervisory Commission in the Order No.10704540701 that shall take effect on April 9, 2018. The amendment to Article 67 stipulates that there should be no waiting period for the reinstatement of serious disease and cancer insurance.

Impact and response measures:

The Company modified related products according to the law.

C. Pharmaceuticals

In recent years, FDA of the U.S. has strengthened the supervision of overseas API companies. The quality of pharmaceutical preparation relies on APIs. In view of this, the Ministry of Health and Welfare has actively promoted relevant policies governing API companies, requiring all API companies in Taiwan to achieve full compliance to PIC/S GMP standards. The Company's new products have been approved by the Food and Drug Administration according to related laws. In terms of international regulations, the EU, the U.S., and Japan have successively announced and implemented stricter regulations to ensure the quality and safety of drugs in recent years. The Quality Control Laboratory has upgraded the operation of stand-alone computers to network connections, and the Quality Assurance Department has also established the computerized quality management system. In addition, a metallurgical residue risk assessment report has been completed for all APIs; an electronic delivery system has also been introduced. The Quality Assurance Compliance Department collects related documents through this system and transmits the electronic files (e-CTD) of the drug master data to drug certification units for review. It is not only fast and safe, but also complies with the international trend of paper reduction. The adoption of SAP ERP in 2018 will not only provide immediate access to business and accounting information, but also integrate GMP-related equipment maintenance systems, warehouse management systems, and quality control systems, significantly improving the data completeness and compliance. We strictly abide by the domestic and foreign requirements for pharmaceutical quality, and will continue to advance, strive for excellence, and improve competitive advantages.

D. Information services

The Company has taken related measures in response to changes in corporate governance and the Company Act enacted by the competent authority. These changes currently have no material impact on the Company's finances and operations.

- (5) Changes in technology and industry, impact on the Company's finances and operations, and response measures:

A. Retail of daily commodities and food

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

B. Life insurance

Continuing advancements in information technology (IT) allow the Company 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, the Company also introduced information security management systems and was successfully certified with ISO 27001:2013 to minimize IT utilization risks. Extensive deployment of IT systems allowed the Company to pursue continuing improvements in business competitiveness after establishing effective controls for various business risks. Therefore, changes in technology and industry had no material impact on the Company's finances and operations.

C. Pharmaceuticals

Currently, changes in technology and industry have no impact on the Company's finances and operations.

D. Information services

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 have a positive impact on the Company.

(6) Changes in the corporate image, impact on the Company's risk management, and response measures:

A. Retail of daily commodities and food

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

B. Life insurance

MLI has spent over 20 years developing a customer base, dedicated its entire effort to 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.

C. Pharmaceuticals

There is currently no incident that needs corporate crisis management.

D. Information services

MDS has always upheld the business principles of professionalism and trust and attached great importance to the corporate image and risk control. There is currently no

foreseeable risk.

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

Considering the long-term development, overall competitiveness, and business performance of the Group, Mercuries & Associates, Ltd. spun off Household Purchase Business Unit (including assets, liabilities and businesses) to Simple Mart Retail Co. Ltd. with the business value amounting to NT\$450,000,000 on July 1, 2017 according to the resolution passed by the Board of Directors on May 26, 2017.

Primary businesses ceded from Mercuries & Associates, Ltd. were transferred to a wholly owned subsidiary. The primary business model as well as purchases and sales of goods remain unchanged, generating zero risk to overall shareholders' equity.

With the exception of the aforementioned subsidiaries, no merger or acquisition took place for the remaining primary invested companies of the Company in the most recent fiscal year up to the printing date of this annual report.

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

A. Retail of daily commodities and food

Due to frequent food safety problems in recent years, the Company expects to reconstruct its central kitchen from the end of 2018 to the beginning of 2019 to increase the self-production rate, fully control the quality of products, and shorten the delivery period.

B. Life insurance

Due to the nature of the industry, MLI had no expansion of plants.

C. Pharmaceuticals

In 2017, major capital expenditures were on factory plant and equipment, which were required to support growth of the Company'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 the sales volume is not as expected, the negative impacts may include idling of production capacity and increased production costs. The Company shall therefore focus on securing market sales to improve capacity utilization rate.

D. Information services

In 2017, there was no expansion of plants.

(9) Risks resulting from the concentration of purchases or sales and response measures:

A. Retail of daily commodities and food

The Company is a retailer and wholesaler of daily commodities and food. With the exception of alcohol products which were sold under monopoly, the sales of other products scattered extremely; therefore, there was no risk of concentrated purchases or sales.

B. Life insurance

MLI is a life insurance company and derives insurance income from the general public. Sales are not directed to any particular targets. At present, MLI has about 2 million effective policyholders, meaning that there is no risk of concentrated sales. Due to the nature of the industry, MLI has no purchase.

C. Pharmaceuticals

Most suppliers and customers of SCI Pharmtech are trading partners with long-term

and close relationships, resulting in low risk levels. In 2017, the largest supplier accounted for 22.07% of total purchase, and the largest customer accounted for 10.52% of net sales. There was no risk of excessive concentration of purchases or sales.

D. Information services

With the exception of exclusive dealers in Taiwan of Hitachi-Omron Terminal Solutions, Corp., the Company is not subject to risks of concentration of purchases from any particular company. Given the diversity of products sold and relatively different customer groups, there is no relative or particular concentration of sales to any single customer.

(10) Impacts, risks, and response measures pertaining to major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than ten percent (10%) of the Company's shares: There was no major equity transfer in 2017.

(11) Impacts, risks, and response measures pertaining to changes in ownership: There was no change in ownership in 2017.

(12) Any litigious or non-litigious matters or administrative disputes up to the printing date of this annual report where the Company and its Directors, Supervisors, President, actual person in charge, and major shareholders holding more than 10% of the Company's shares, and affiliated companies that have been concluded by means of a final judgment or are still under litigation, to be a party thereof, and where the results thereof could materially affect shareholders' equity or prices of the Company's securities, as well as the facts of the dispute, amount of money at stake, start date of litigation, and main parties to the litigation:

For major litigious, non-litigious, or administrative disputes of affiliated companies of the Company that have been concluded 189~190 of the Chinese annual report.

This also includes any major litigious, non-litigious, or administrative disputes of the Company or its Directors, Supervisors, President, actual persons in charge, or major shareholders holding more than ten percent (10%) of the Company's 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 were no other material risks in 2017.

7. Other important issues: None

VIII. Special Disclosure

1. Affiliated enterprises

(1) Consolidated business report of affiliated enterprises

A. Organization structure of affiliated enterprises (December 31, 2017)

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.	93.33%	Mercuries Rich	66.73%
			Family Shoemart Co., Ltd.	13.33%		
			Mercuries Leisure Co., Ltd.	2.81%		
	Simple Mart Retail Co., Ltd.	100% —	Zfranchises Taiwan, PTE. LTD	100%		
			Simple Mart Plus Co., Ltd.	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 1)	45.74%		
			Mercuries Life Insurance	0.59%		
	Mercuries Life Insurance Co., Ltd.	43.14%				
	Mercury Fu Bao Co., Ltd.	100% —	Mercuries Life Insurance	2.74%		
			Mercuries Leisure Co., Ltd.	5.23%		
			SCI Pharmtech Inc. (continued at Part 3)	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.	6.67%				
	Mercuries Data Systems Ltd. (continued at Part 2)	53.44%				
	Mercuries General Media, Inc.	86.96%				
	Mercuries Leisure Co., Ltd.	63.14%				
	HIPACT TECH. INC.	8.61%				
	WAYIA.COM INC.	1.81%				
	Mercuries Liquor & Food Co., Ltd.	100%	Shang Rih Co.,Ltd..	100%		
	Mercuries Furniture Co., Ltd.	100%	Mercuries Life Insurance	0.37%		
	SCI Pharmtech Inc. (continued at Part 3)	31.90%				
	Mercuries Bakery Co., Ltd.	100%	Mercuries FoodService (continued at part 1)	21.33%		
	Mercuries Life Insurance Agency Co. Ltd. .	100%				
	Tastynoodle Co., Ltd.	100%	Mercuries FoodService (Shanghai) Co., Ltd.	52.63%	Shanghai Sanshang Canying	100%
	Family Shoemart Co., Ltd.	86.67%	Mercuries Rich	66.73%		
	Mercuries FoodService Co., Ltd. (continued at Part 1)	25.31%				
	Asiandawn Venture Inc.	16.62%				

A. Organization structure of affiliated enterprises - continued (December 31, 2017)

Controlling company		Affiliated company	Shareholding percentage		Affiliated company	Shareholding percentage	Affiliated company	Shareholding percentage
Mercuries FoodService (Continued at Part 1)	—	Mercuries FoodService (Shanghai) Co., Ltd	47.37%	—	Shanghai Sanshang Canying	100%		
		Mercuries Rich	26.69%					
		Mercuries Bakery (Shanghai) Limited Company	100%	—	Shanghai Bakery Café Limited Company	100%		
Mercuries Data Systems Ltd. (Continued at Part 2)	—	WAYIA.COM Inc.	58.33%					
		Mercuries Data Systems International Ltd.	100%	—	CORE INFO TECH LIMITED	100%	—	Mercuries Soft(Nanjing)Ltd. 100%
		Mercuries Life Insurance	0.25%					
		HIPACT TECH. INC.	72.8%					
		Mercuries Information Systems International Co., Ltd	100%					
		IT UNION Limited	100%					
SCI Pharmtech Inc. (continued at Part 3)	—	Yushan Holding Universal Ltd.	100%	—	Yushan Pharmaceuticals, Inc.	100%		

B. Basic information of various affiliated enterprises

Unit: Thousand NT\$; December 31, 2017

Company name	Date established (year)	Address	Actual paid-in capital	Primary business or products
Mercuries & Associates, Ltd.	January 27, 2015	B1 and Floors 1 to 18, Section 2, Jianguo North Road, Taipei City	550,000 (Note1)	Serving of fast food, including noodles, rice, fried pork chops, Japanese bento sets and branded footwear, apparel, and accessories at home and abroad.
Simple Mart Retail Co., Ltd.	February 7, 2013	11F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	451,000 (Note2)	Purchasing and sales of daily commodities and food, alcohols, beverages, tobacco, daily necessities, cooked food, fresh foods, medical supplies (excluding Chinese medicine and Western medicine), infant products, cosmetics and beauty products (excluding those with pharmaceutical effects).
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 and fried chicken franchise
Mercuries Life Insurance Co., Ltd.	June 12, 1993	3F., No.6, Sec. 3, Minquan E. Rd., Songshan Dist., Taipei City	19,204,594	Personal insurance services
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 FoodService Japan, Ltd.	February 28, 2014	5-1-3, Utsukushigaoka, Aoba-ku, Yokohama-shi Tama-Plaza center Building 2F D room	JPY 10,000,000	Food retail
Mercuries Data Systems Ltd.	December 9, 1976	4F-3, No. 2, Street 150, Section 5, Xinyi Road, Taipei City	1,843,145	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 20, 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	Software Design Services
Mercuries Liquor & Food 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.61, Ln. 309, Haihu N. Rd., Luzhu Dist., Taoyuan City	794,853	Processing, manufacturing, and sales of active pharmaceutical ingredients (APIs) and API intermediates
Mercuries Bakery Co., Ltd.	December 7, 2006	11F, No. 145, Section 2, Jianguo North Road, Taipei City	32,092	Production of baked foods
Mercuries Life Insurance Agency Co. Ltd.	November 28, 2008	12F-8, No. 2, Street 150, Section 5, Xinyi Road, Taipei City	3,000	Insurance agency
Tastynoodle Co., Ltd.	June 22, 2011	Samoa	USD 5,000,000	Investment holding company
Family Shoemart Co., Ltd.	June 22, 2011	Samoa	USD 7,500,000	Investment holding company

Company name	Date established (year)	Address	Actual paid-in capital	Primary business or products
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
Zfranchises Taiwan, PTE. LTD	September 16, 2014	British Virgin Islands	50,081	Food retail
Simple Mart Plus Co., Ltd.	December 13, 2007	8F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	60,000	Food retail
Mercuries Data Systems International Ltd.	August 1, 2000	British Virgin Islands	USD 18,010,000	Investment holding company
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
IT UNION Limited	July 25, 2003	Samoa	-	Purchasing and sales of electronic equipment
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
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 company
Mercuries FoodService (Shanghai) Co., Ltd	September 22, 2005	Room 116, Building 1, No. 488, Eshan Road, Pilot Free Trade Zone, Shanghai City	USD 9,500,000	Food Management
Mercuries Rich	August 4, 2008	Part of 3F, No. 393, Changshou Road, Putuo District, Shanghai City	USD 11,240,000	Daily Commodities and Food 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	Bakery Food Manufacturing
Shanghai Sanshang Canying Limited Company	May 20, 2010	No. 1838, Sichuan North Road, Hongkou District, Shanghai City	RMB 4,800,000	Food 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
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
CORE INFO TECH LIMITED	August 23, 2000	29 th Floor Wing On Centre 111 Connaught Road Central Hong Kong	USD 18,100,000	Investment holding company
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 21,000,000	Development, production, and sales of computer software and mail software; management of proprietary products; relevant technical inquiries and services

Note 1: Mercuries & Associates, Ltd. set the base date of capital increase to be April 18, 2018. After the capital increase, the paid-in capital became NT\$700,000 thousand.

Note 2: On April 26, 2018, Simple Mart Retail Co. Ltd. executed the employee stock options to issue 2,588 thousand new shares. After the capital increase, the paid-in capital became NT\$476,880 thousand.

C. Overall business scope of every affiliated enterprises:

Company name	Primary business or products
Mercuries & Associates, Ltd.	Serving of fast food, including noodles, rice, fried pork chops, Japanese bento sets and branded footwear, apparel, and accessories at home and abroad.
Simple Mart Retail Co., Ltd.	Purchasing and sales of daily commodities and food, alcohols, beverages, tobacco, daily necessities, cooked food, fresh foods, medical supplies (excluding Chinese medicine and Western medicine), infant products, cosmetics and beauty products (excluding those with pharmaceutical effects).
Mercuries Harvest Co., Ltd.	Leasing, purchasing, and sales of various machinery and equipment
Napoli Co., Ltd.	Pizza and fried chicken franchise
Mercuries Life Insurance Co., Ltd.	Personal insurance services
Mercury Fu Bao Co., Ltd.	Purchasing, sales, and distribution services for beverages and tobacco
Mercuries FoodService Japan, Ltd.	Food retail
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.	Software Design Services
Mercuries Liquor & Food 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
Mercuries Bakery Co., Ltd.	Production of baked foods
Mercuries Life Insurance Agency Co. Ltd.	Insurance agency
Tastynoodle Co., Ltd.	Investment holding company
Family Shoemart Co., Ltd.	Investment holding company
Mercuries FoodService Co., Ltd.	Investment holding company
Asiandawn Ventures Inc.	Investment holding company
Zfranchises Taiwan,PTE. LTD	Food retail
Simple Mart Plus Co., Ltd.	Food retail
Mercuries Data Systems International Ltd.	Investment holding company
Mercuries Information Systems International Co., Ltd.	IT software, hardware, and processing services
IT UNION Limited	Purchasing and sales of electronic equipment
Shang Rih Co., Ltd.	Distribution of tobacco, alcohol, beverages, and food
Yushan Holding Universal Ltd.	Investment holding company
Mercuries FoodService (Shanghai) Co., Ltd	Food Management
Mercuries Rich	Daily Commodities and Food retail
Mercuries Bakery (Shanghai) Limited Company	Bakery Food Manufacturing
Shanghai Sanshang Canying Limited Company	Food retail
Shanghai Bakery Café Limited Company	Food retail
Yushan Pharmaceuticals, Inc.	Research and development, production, and sales of API and formulations
CORE INFO TECH LIMITED	Investment holding company
Mercuries Soft(Nanjing)Ltd.	Development, production, and sales of computer software and mail software; management of proprietary products; relevant technical inquiries and services

D. Directors, supervisors, and general managers of affiliated enterprises

Unit: Thousand shares; % December 31, 2017

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries & Associates, Ltd..	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	55,000 (Note2)	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li and Yang,Li-Yun		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang,Chih-Hua		
Simple Mart Retail Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	45,100 (Note3)	100.00% (Note3)
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li and Chiu,Kuang-Lung		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Yang,Li-Yun		
Mercuries Harvest Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang,Hsien-Chang	9,000	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng and Wang,Chih-Hua		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Yang,Li-Yun		
Napoli Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	49,950	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang,Hsien-Chang and Lin,Chien-Hsiung		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang,Chih-Hua		
Mercuries Life Insurance Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Chieh	828,535	43.14%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li, Wang,Chih-Hua, Wong,Tsui-Chun, Chen,Kuang-Hung and Hsu,Ching-Hsin		
	Independent director	Cheng,Chun-Nong	0	0.00%
	Independent director	Lin,Hsia-Ju	0	0.00%
	Independent director	Tsai,Cheng-Hsien	0	0.00%
	General Manager	Yang,Chi-Tsai (Note 1)	2,039	0.10%
Mercury Fu Bao Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang,Hsien-Chang	236,260	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng and Chen,Shiang-Li		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Yang,Li-Yun		

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries FoodService Japan, Ltd.	Director	Chen,Kuang-Hung	--	--
	Director	Kosaka Kenichi		
	Director	Misawa Hiroki		
	Director	Lin,Shu-Wen		
Mercuries Data Systems Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Chung	98,505	52.59%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li, Chen,Wen-Chu, Chung,Cheng-Ping, and Tang,Te-Cheng	0	0.00%
	Independent director	Shen,Shang-Hung	0	0.00%
	Independent director	Lin,Ming-Sheng	0	0.00%
	Supervisor	Chao,Yuan-Chi	0	0.00%
	Supervisor	Yang,Li-Yun	46	0.02%
	Supervisor	Wang,Chih-Hua	0	0.00%
	General Manager	Chen,Shiang-Chung	532	0.28%
Mercuries General Media, Inc.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li	4,200	86.96%
	Director	NHK ENTERPRISE, INC.: Oshida Atsushi	630	13.04%
	Director	Lin,Chien-Hsiung	--	--
	Director	Wang,Chih-Hua	--	--
	Director	Chen,Shiang-Feng	--	--
	Supervisor	Yang,Li-Yun	--	--
Mercuries Leisure Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li	44,895	63.14%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng and Wang,Chih-Hua		
	Supervisor	Yang,Li-Yun	--	--
HIPACT TECH. INC.	Chairman	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chen,Shiang-Chung	146	72.80%
	Director	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Tsai,Chung-Wei, Li,Tsung-Kuang, and Li,Chih-Hsien		
	Director	Chung,Cheng-Ping	7	3.58%
	Supervisor	Chen,Wen-Chu	--	--
WAYIA.COM INC.	Chairman	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chen,Shiang-Chung	12,250	58.33%
	Director	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chen,Wen-Chu, Chung,Cheng-Ping, and Li,Tsung-Kuang		
	Director	Representative(s) of institutional shareholders of APEX International Financial Engineering Res., & Tech. Co., Ltd.: Liu, Kuo-An	880	4.19%
	Supervisor	Hsu,Hsiao-Chi	--	--

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries Liquor & Food Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	20,000	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li and Chen,Kuang-Hung		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Yang,Li-Yun		
	General Manager	Chen,Kuang-Hung	--	--
Mercuries Furniture Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	18,000	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li and Yang,Li-Yun		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang,Chih-Hua		
SCI Pharmtech Inc.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wong,Wei-Chyun	25,236	31.75%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li, Chen,Yen-Ju and Chou,Wen-Chih		
	Independent director	Ted Tu	0	0.00%
	Independent director	Wu,Hung-Chih	0	0.00%
	Independent director	Chen,Chia-Chun	0	0.00%
	General Manager	Wong,Wei-Chyun	431	0.54%
Mercuries Bakery Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	3,209	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Lin,Chien-Hsiung and Yang,Li-Yun		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang,Chih-Hua		
Mercuries Life Insurance Agency Co. Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Chung	300	100.00%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Shen,Kuo-cheng and Chiu,Kuang-Lung		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Yang,Li-Yun		
	General Manager	Hsieh,Ming-Chin	--	--
Tastynoodle Co., Ltd.	Chairman	Chen,Shiang-Li	--	--
Family Shoemart Co., Ltd.	Chairman	Chen,Shiang-Li	--	--
Mercuries FoodService Co., Ltd.	Director	Chen,Shiang-Li	--	--
Asiandawn Ventures Inc.	Director	Chen,Shiang-Li	--	--
Zfranchises Taiwan, PTE. LTD	Director	Wang,Chih-Hua	--	--
Simple Mart Plus Co., Ltd.	Chairman	Representative(s) of institutional shareholders of Simple Mart Retail Co., Ltd.: Chen,Shiang-Feng	6,000	100.00%
	Director	Representative(s) of institutional shareholders of Simple Mart Retail Co., Ltd.: Chen,Shiang-Li and Chiu,Kuang-Lung		
	Supervisor	Representative(s) of institutional shareholders of Simple Mart Retail Co., Ltd.: Yang,Li-Yun		

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries Data Systems International Ltd.	Director	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd.: Ken S.C. Chen	--	100.00%
Mercuries Information Systems International Co., Ltd.	Chairman	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chung,Cheng-Ping	300	100.00%
	Director	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chen,Shiang-Chung and Tang, Te-Cheng		
	Supervisor	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chen,Wen-Chu		
IT UNION Limited	Director	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd.: Ken S.C. Chen	--	100.00%
Shang Rih Co.,Ltd.	Director	Representative(s) of institutional shareholders of Mercuries Liquor & Food Co., Ltd.: Chen,Kuang-Hung	500	100.00%
YuShan Holding Universal Ltd.	Director	Representative(s) of institutional shareholders of SCI Pharmtech, Inc.: Wong,Wei-Chyun, Chen,Yen-Ju, and Chou,Wen-Chih	12,485	100.00%
Mercuries FoodService (Shanghai) Co., Ltd	Chairman	Representative(s) of institutional shareholders of MERCURIES FOOD SERVICE: Lin,Chien-Hsiung	--	47.37%
Mercuries Rich	Chairman	Representative(s) of institutional shareholders of Mercuries Food Service Co., Ltd.: Wang, Hsien-chang	--	26.69%
	Director	Representative(s) of institutional shareholders of Family Shoemart Co., Ltd.: Chu,Chieh	--	66.73%
	Director	Representative(s) of institutional shareholders of Shanghai Kunlun-Taiwan Shopping Mall: Chiu,Kuang-Lung	--	6.58%
	Supervisor	Chen,Te-Kai	--	--
Mercuries Bakery (Shanghai) Limited Company	Chairman	Representative(s) of institutional shareholders of Mercuries FoodService Co., Ltd.: Lin,Chien-Hsiung	--	100.00%
	Supervisor	Chen,Te-Kai	--	--
Shanghai Sanshang Canying Limited Company	Director	Representative(s) of institutional shareholders of Mercuries FoodService (Shanghai) Co., Ltd.: Lin,Chien-Hsiung	--	100.00%
Shanghai Bakery Café Limited Company	Director	Representative(s) of institutional shareholders of Mercuries Bakery (Shanghai) Limited Company: Lin,Chien-Hsiung	--	100.00%
Yushan Pharmaceuticals, Inc.	Chairman	Representative(s) of institutional shareholders of Yushan Holding Universal Ltd.: Wong,Wei-Chyun	37,100	100.00%
	Director	Representative(s) of institutional shareholders of Yushan Holding Universal Ltd.: Chen,Yen-Ju and Chou,Wen-Chih		
	Supervisor	Representative(s) of institutional shareholders of Yushan Holding Universal Ltd.: Yang,Wen-Chen		
CORE INFO TECH LIMITED	Director	Representative(s) of institutional shareholders of Mercuries Data Systems International Ltd.: Ken S.C. Chen	--	100.00%
	Director	Representative(s) of institutional shareholders of Mercuries Data Systems International Ltd.: Wen Chu Chen		
Mercuries Soft (Nanjing) Ltd.	Chairman	Representative(s) of institutional shareholders of CORE INFO TECH LIMITED: Chen,Shiang-Chung	--	100.00%
	Director	Representative(s) of institutional shareholders of CORE INFO TECH LIMITED: Chen,Wen-Chu, Chung,Cheng-Ping, Hsieh,Hung-Hsiang, and Tsai,Chung-Wei		
	Supervisor	Representative(s) of institutional shareholders of CORE INFO TECH LIMITED: Hsu,Hsiao-Chi		

Note 1: Yang,Chi-Tsai resigned as General Manager on March 20, 2018.

Note 2: Mercuries & Associates, Ltd. set the base date of capital increase to be April 18, 2018. After the capital increase, the number of shares became 700,000 thousand.

Note 3: On April 26, 2018, Simple Mart Retail Co. Ltd. executed the employee stock options to issue 2,588 thousand new shares. After the capital increase, the number of shares became 476,880 thousand. The Company held 94.57% of the shares.

E. Business operating conditions of the affiliated enterprises

Unit: NT\$, December 31, 2017

Company name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Net operating income (loss)	Profit (loss) before tax	EPS (after tax / NT\$)
Mercuries & Associates, Ltd.	550,000	2,829,745	2,000,028	829,717	11,824,380	266,561	201,086	2.59
Simple Mart Retail Co., Ltd.	451,000	2,889,411	2,399,619	489,792	11,095,890	92,604	119,783	2.65
Mercuries Harvest	90,000	154,666	484	154,182	(87)	(303)	3,413	0.38
Napoli Co., Ltd.	499,500	1,040,787	257,272	783,515	1,504,870	241,756	224,894	4.5
Mercuries Life Insurance Co., Ltd.	19,204,594	1,052,905,746	1,013,693,855	39,211,891	184,987,213	3,395,650	3,184,952	1.71
Mercury Fu Bao Co., Ltd.	2,362,600	3,598,313	135,333	3,462,980	116,110	(143,608)	(57,942)	(0.25)
Mercuries FoodService Japan, Ltd.	JPY10,000 thousand	27,837	3,890	23,947	21,107	(29,746)	(30,107)	--
Mercuries Data Systems Ltd.	1,843,145	4,543,513	2,415,526	2,127,987	3,262,865	95,427	71,536	0.39
Mercuries General Media, Inc.	48,300	122,516	11,362	111,154	24,508	2,441	8,609	1.78
Mercuries Leisure Co., Ltd.	711,000	677,236	100	677,136	0	(2,354)	(2,299)	(0.03)
HIPACT TECH. INC.	2,000	9,959	1,505	8,454	354	16	51	0.25
WAYIA.COM INC.	210,000	27,569	130	27,439	186	(214)	5,857	0.28
Mercuries Liquor & Food Co., Ltd.	200,000	369,485	164,178	205,307	848,344	27,540	37,096	1.85
Mercuries Furniture Co., Ltd.	180,000	359,323	210,795	148,528	491,562	(26,398)	(14,087)	(0.78)
SCI Pharmtech Inc.	794,853	3,295,531	365,783	2,929,748	1,301,050	235,928	190,976	2.41
Mercuries Bakery Co., Ltd.	32,092	31,900	110	31,790	0	(113)	(1,187)	(0.37)
Mercuries Life Insurance Agency Co. Ltd.	3,000	22,451	1,715	20,736	132,670	14,129	11,727	39.09
Tastynoodle Co., Ltd.	USD 5,000 thousand	2,686	0	2,686	0	0	(64)	--
Family Shoemart Co., Ltd.	USD 7,500 thousand	38,113	0	38,113	0	0	(9,671)	--
Mercuries FoodService Co., Ltd.	USD 19,678 thousand	44,070	2	44,068	0	0	(5,379)	--
Asiandawn Ventures Inc.	USD 28,631 thousand	51	6,483	(6,432)	0	0	(211,887)	--
Zfranchises Taiwan,PTE. LTD	50,081	22,181	6,233	15,948	32,032	(13,657)	(14,475)	--
Simple Mart Plus Co., Ltd.	60,000	60,000	0	60,000	0	0	0	--
Mercuries Data Systems International Ltd.	536,697	319,421	1,953	317,468	0	0	(14,552)	--
Mercuries Information Systems International Co., Ltd.	3,000	1,727	45	1,682	238	(155)	(154)	(0.51)
IT UNION Limited	0	30	31	(1)	359	0	0	--
Shang Rih Co., Ltd.	5,000	4,138	133	4,005	9,411	408	480	0.96
Yushan Holding Universal Ltd.	374,711	355,604	0	355,604	0	(164)	(1,554)	--

Unit: NT\$, December 31, 2017

Company name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Net operating income (loss)	Profit (loss) before tax	EPS (after tax / NT\$)
Mercuries FoodService (Shanghai) Co., Ltd.	USD 9,500 thousand	6,918	1,818	5,100	0	(148)	(121)	--
Mercuries Rich	USD 11,240 thousand	67,813	10,696	57,116	21,812	(14,837)	(15,236)	--
Mercuries Bakery (Shanghai) Limited Company	RMB 80,260 thousand	26,210	0	26,210	0	(858)	(858)	--
Shanghai Sanshang Canying Limited Company	RMB 4,800 thousand	3,371	457	2,914	0	(20)	(20)	--
Shanghai Bakery Café Limited Company	RMB 20,900 thousand	1,249	0	1,249	0	(90)	(90)	--
Yushan Pharmaceuticals, Inc.	371,000	352,823	100	352,723	0	(1,223)	(1,144)	--
CORE INFO TECH LIMITED	539,380	318,349	0	318,349	0	0	(14,554)	--
Mercuries Soft(Nanjing)Ltd.	719,575	322,218	7,685	314,533	34,703	(18,282)	(14,562)	--

- F. Information on endorsements and guarantees, capital loans to other parties, and other derivative products for the affiliated enterprises
- Endorsements and guarantees for the affiliated enterprise: Refer to page 230 of the Chinese annual report.
 - Capital loans of the affiliated enterprises: Refer to page 309 of the Chinese annual report.
 - Derivatives trading of the affiliated enterprises: Refer to page 324 of the Chinese annual report.

(2) Consolidated financial statements of affiliated enterprises

Statement

We hereby state that for 2017 (from January 1, 2017 to December 31, 2017), the affiliated enterprises 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 enterprises were therefore not generated separately.

Company name: MERCURIES & ASSOCIATES HOLDING, LTD.

Person in charge: Chen,Shiang-Li

March 23, 2018

2. Private placement of securities of the most recent year up to the publication date of this report printed: 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 printed:

Unit: Thousand NT\$; thousand shares; % May 11, 2018

Subsidiary name	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 2017 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%	2017	-	-	-	2,453 \$61,927	None	None	None
				Up to the publication date of this report in 2018	-	-	-	2,453 \$59,842	None	None	None
Mercuries Harvest Co., Ltd.	90,000	Disposal funds	100.00%	2017	-	-	-	4,738 \$119,637	None	None	None
				Up to the publication date of this report in 2018	-	-	-	4,738 \$115,609	None	None	None
Mercury Fu Bao Co., Ltd.	2,362,600	Disposal funds	100.00%	2017	-	-	-	37,024 \$934,866	None	None	None
				Up to the publication date of this report in 2018	-	-	-	37,024 \$903,395	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 2017.

- (3) Basis for the evaluating balance sheet categorization methods:

For details on major accounting policies, refer to pages 106 to 133 the Chinese annual report.

- (4) Key performance indicator (consolidated report):

	2017	2016
<hr/> Operation and profitability		
Profit ratio (%)	1.42	1.76
Earnings per share (NT\$)	2.27	2.84
Return on equity (%)	9.13	11.62
Return on total assets (%)	0.34	0.41
<hr/> Solvency		
Current ratio (%)	1,072.93	1,074.71
Quick ratio (%)	1,041.62	1,042.83

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

For the policy of the diversity of the Board of Directors, please refer to Article 20 of the Corporate Governance Best Practice Principles of the Company at <http://www.mercuries.com.tw/>

Director	Gender	Business Judgments	Accounting and Financial Analysis	Business Management	Crisis Management	Industrial Knowledge (Note)	International Market Perspectives	Leadership	Decision Making	Law
Chen,Shiang-Li	Male	V		V	V	V	V	V	V	
Mao,Ming-Yu	Male	V		V	V	V	V	V	V	
Wang,Hsien-Chang	Male	V		V	V	V	V	V	V	
Yang,Li-Yun	Female	V	V	V	V	V	V	V	V	
Chen,Hsiang-chung	Male	V		V	V	V	V	V	V	
Weng,Wei-chun	Male	V		V	V	V	V	V	V	
Fang,Cheng-Yi	Male	V	V	V	V	V	V	V	V	
Lee,Mao	Male	V	V	V	V	V	V	V	V	
Jeffrey Chen	Male	V	V	V	V	V	V	V	V	

Note: Each Director has the following industrial knowledge:

Chen,Shiang-Li: Invested businesses and retail of daily commodities and food.

Mao,Ming-Yu, Wang,Hsien-chang, Yang,Li-yun and Fang,Cheng-Yi: Retail of daily commodities and food.

Chen,Hsiang-chung: Information systems.

Weng,Wei-chun: Pharmaceuticals.

Lee,Mao: Finance, taxes, and banking.

Jeffrey Chen: Finance and technology.

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

No event having a material impact on shareholders' equity or securities prices has occurred to the Company in 2017 and up to the printing date of this annual report.

Mercuries & Associates Holding, Ltd.

Chairman: Chen,Shiang-Li