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Annual Report 2018

Mercuries & Associates Holding, Ltd.

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Annual Report Website:

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

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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 2018, 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. 2018 Business Report

(I) 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 the Company's business plan in 2018 are as follows:

1. Retail of daily commodities and food

Due to the enforcement of the Labor Standards Act, the increase in labor costs had a significant impact on the retail of daily commodities and food. Physical retail stores faced new challenges, such as market saturation and the emergence of cross-industry alliances. To improve revenue and profit of retail stores, each business unit: kept track of existing competitors and market trends; adjusted the product mix and developed new products in line with consumers' preferences; utilize the advantage of a large membership to increase revenue and profit. Compared with 2017, revenue in 2018 increased by 2.9%, and the number of retail stores also increased by 65 to 1,300. In 2018, the Company cooperated with a strategic investor, Sumitomo Corporation, and introduced exclusive products to improve revenue and profit based on the success of Sumitomo Corporation in Japan.

2. Life insurance

Although the global economy continued to expand, uncertainties remained, including the China-US trade war, Brexit, instability of emerging markets, economic slowdown in China, and the US interest rate hikes. In the face of such severe challenges, Mercuries Life Insurance continued to strengthen the market risk management in a robust and steady manner and pursued the increase in the overall profit through solid investment strategies. As the stock market and foreign exchange market fluctuated sharply in 2018, revenue and profit were below expectation. Premiums income from new insurance policies grew by 14%, and total premiums income also grew by 2%.

3. Pharmaceuticals

Due to the portfolio optimization and improved capacity utilization, the gross profit margin of SCI Pharmtech, Inc. increased significantly from 30% in 2017 to 39% in 2018, leading to a significant increase in revenue and profit by 49% and 134%, respectively.

4. Information services industry

In 2018, the financial business sales of MDS Co., Ltd. (MDS) remained high against relatively low Japanese yen, and the gross profit of portfolio was higher than previous years', resulting in a significant increase in profit by 56% compared with 2017.

(II) Budget implementation, financial income, and profitability analysis

The consolidated operating revenue of NT\$225.2 billion in 2018 decreased by 5.7%

compared with 2017, resulting in the budget achievement rate of 103%. In terms of profit, net income attributable to the parent company was NT\$332 million; earnings per share after tax was NT\$0.43; standalone return on assets was 1.78%; return on equity was 2.39%.

(III) Status of research and development

1. Retail of daily commodities and food

Due to the intense competition in the retail of daily commodities and food, the Company continuously adjusted the portfolio and marketing strategies in accordance with market demand and movements to correspond with the highly volatile business environment and consumer demand. The Company also planned differential marketing activities for each retail store to : enhance its competitiveness ; expand market segmentation ; strengthen the regional competitive advantage ; and optimize the overall brand image.

2. Life insurance

Facing the aging society and low interest rates, Mercuries Life Insurance developed capital-protected and long-term care insurance that met the needs of retiring customers, and investment-based insurance policies that allowed installment premium and attached with a one-year rider that met the needs of both insurance and wealth management. To establish a diversified and efficient portfolio, health insurance products were also provided for young generations. Fulfilling its corporate social responsibility and corporate governance, Mercuries Life Insurance has been selected in the TWSE Corporate Governance 100 Index for four consecutive years.

3. Pharmaceuticals

Compared with 2017, expenses on the R&D of new products and on the manufacturing process improvement of existing products in 2018 increased by 11%. A new R&D building is currently under construction to accommodate more manpower and state-of-the-art equipment in order to strengthen the Company's R&D capability. The new R&D building is expected to be inaugurated in 2020.

4. Information services industry

MDS continued to transfer R&D results into material patent protection to maintain its intellectual property rights, which proactively helped enhance the company's competitive advantages and raise the entry barriers.

II. Summary of 2019 Business Plan

(I) Operating objectives

The Company will lower operating costs and strengthen competitive advantages through focused management. The Company will utilize the operating experience of each business and expand its reach to domestic and overseas business partners. Furthermore, the Company will also prudently evaluate investment strategies in hopes of integrating and scaling operations that enhance its value.

(II) Important product and sales policies

1. Retail of daily commodities and food

For the coming year, the Company will continue to strengthen products and services and undertake market segmentation, enhance brand recognition and sales. We will make our customer service members more professional and affable to create a premium environment for consumers. We will also continue to upgrade the information system, use big data analytics tools for precision marketing, so as to separate the wheat from the chaff. To maximize the cost-effectiveness in manpower and expenditure, the Company will

request the effectiveness evaluation prior to the opening of new retail stores. In addition, the Company will increase the percentage of franchises to reduce labor costs and rentals.

2. Life insurance

The business strategies are to optimize the financial structure, improve customer experience, and strengthen compliance and risk management. The optimized portfolio will be launched to offer a complete insurance coverage based on the needs of customers. In addition to the existing sales people network, bank insurance service, and a diversity of marketing channels, Mercuries Life Insurance will continue to optimize the company website and APP by integrating insurance service with big data, so as to explore the real needs of customers, and improve both the customer relationship as well as the effectiveness of its marketing campaigns.

3. Pharmaceuticals

SCI Pharmtech's production and marketing policies are mostly focused on the characteristics of products features and client types:

- (1) Active pharmaceutical ingredients (API): Focusing on the original developer of the drug supply, we will avoid popular products and select API with higher safety and stable sales in addition to having new usage, new formulation or being further developed into new drugs or used 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 barriers, stringent regulations and quality control, intermediates relevant to the Company's core technologies, and intermediates that are used in the early R&D stage of new drugs. Intermediates with aforesaid characteristics can help us differentiate ourselves from competitors and prevent the price wars.
- (3) Specialty Chemicals: SCI Pharmtech produces and sells electronic specialty chemicals with high standards in the pharmaceutical industry. To meet customers' needs, it develops manufacturing process, customizes products, and implements mass production for them.

4. Information services industry

MDS prudently selects and assumes large-scale public construction projects that create high margin and business opportunities from maintenance income. MDS will continue to develop new businesses, create differential value, and enhance the capacity for software development and R&D in hopes of enhancing market competitiveness. We will also review ways to extend the durability of existing patents and obtain new patents.

III. External Competition and Overall Operating Environment

The global economy in 2018 sustained its growth momentum. According to the Global Economic Prospects published by the World Bank on January 8, 2019, international trade and manufacturing activities weakened due to trade tensions, coupled with financial pressure in some large emerging and developing economies. The estimated economic growth in 2018 was revised down to 2.9% from 3.0% in 2017. In terms of domestic demand, a series of policy reforms led to the long-term depression in private consumption and investment. According to the preliminary statistics released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate in Taiwan was 2.63% in 2018, lower than previous year's 3.08%. According to the statistics from Ministry of Economic Affairs, the

turnover of retail sales in non-specialized stores and food and beverage service activities in Taiwan increased by 3.17% and 4.59%, respectively.

The global economy prospect in 2019 would be affected by factors that include: the heightened China-US trade tensions; worse-than-expected economic slowdown in China; Brexit; geopolitical risks; changes in global crude oil and commodity prices; fluctuations in the global financial market, stock markets, and foreign exchange markets; and trade protectionism. The World Bank predicted a global economic growth rate of 2.8% in 2019, lower than that of 2.9% in 2018. With the raised minimum wage and the proactive salary hike by enterprises, domestic consumption was expected to increase. Compared with previous year, domestic investment continued to grow, but import and export amounts were expected to decline. Statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan predicted a 2.27% economic growth rate in Taiwan in 2019, no longer as high as 2.63% in 2018. Our management and employees remain committed to implementing a business strategy for diversification to reduce business risks. We also strive for innovation in hopes of enhancing the quality of service and business performance.

IV. Developmental Strategies for the Company in the Future

The Company's existing major lines of business have been in operations for more than 30 years. To seek for the steady business growth in a saturated market and competitive industry, we have proactively attempted to innovate in recent years. To lower business risks, the Company is striving to become a conglomerate with diversified operations. We fully consider changes in both internal and external environments and have a professional management team committed to providing the public service ranging from food, clothing, living to entertainment. By creating a positive environment for consumers, the Company expects to improve its brand value.

In the future, the Company will continue to integrate internal resources and introduce organizational change, maintain our core values by prudently evaluating investment strategies, and seek for new opportunities for cross-industry alliances and investments. To exert corporate synergy and maximize benefits for shareholders, we will expand businesses through vertical integration and diversified operations in addition to assisting each subsidiary with resource integration. The Company will also continuously fulfill corporate social responsibility and seek for each shareholder's support.

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. Capital 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.

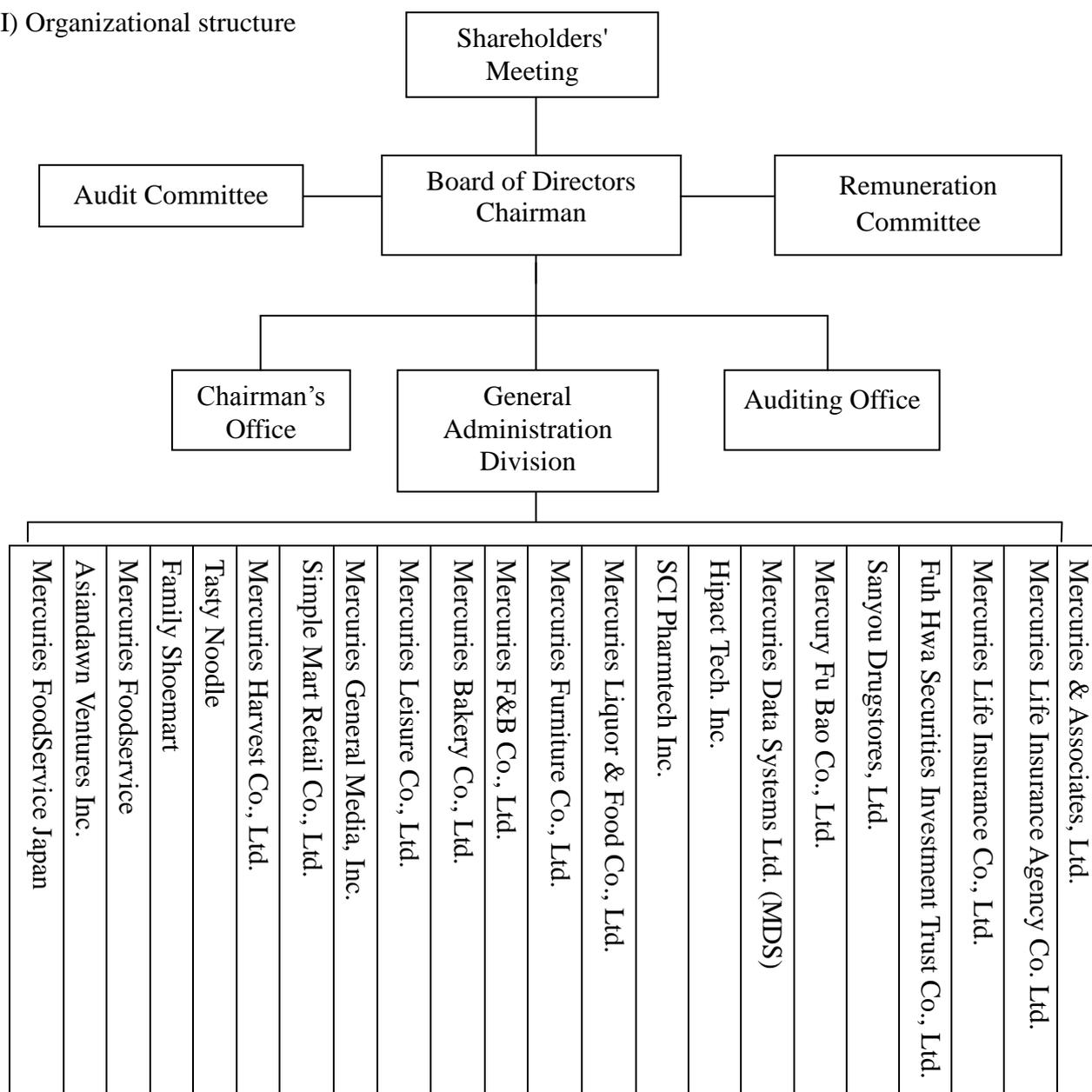
- Established the En Route casual footwear retailer franchise.
Invested in Mercuries Simple Mart International Ltd. and established the Simple Mart retailer franchise.
- 2007 Invested in Mercuries Bakery Co., Ltd. as the agent for the American brand of Dunkin' Donuts as well as a retailer franchise for 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 The amount of capital increase through capitalization of retained earnings was NT\$612.37 million; restricted employee shares of NT\$160,000 were canceled, and capital was increased to NT\$8,266.83 million.
The Company disposed of 6,810 thousand shares of Simple Mart Retail Co., Ltd. at NT\$109.1 per share, and the total transaction price reached NT\$743 million.
The Chinese name of Mercuries Liquor & Food Co., Ltd. was changed.
The dissolution registration of Monteur & Mercuries Co., Ltd. and WAYIA COM INC. were completed.
Shang Rih Co., Ltd. established Japan Mercuries Food Co., Ltd. in Japan.
- 2019 Mercuries & Associates, Ltd. spun off its food retail business to Mercuries F&B Co., Ltd. and reduced capital by NT\$300 million on January 1, 2019.
Mercuries F&B Co., Ltd. established Mercuries F&B Consulting Co., Ltd.
The cancellation registration of Mercuries F&B (Shanghai) Co., Ltd. was completed on January 16, 2019.
The cancellation registration of Shanghai Bakery Café Limited Company was completed on February 22, 2019.

III. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Responsibilities and Functions of Major Departments

Major departments	Responsibilities and functions of major departments
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 the Chairman's Office.
Auditing Office	Formulate and amend the implementation rules for internal control systems and internal audits; plan and implement assessments of internal control systems and track improvement outcomes.

2. Board of directors, independent directors, general managers, assistant general managers, deputy assistant general managers and the supervisors of all the Company's divisions and branch units.

(1) Directors and Independent Directors

March 31, 2019

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	107.06.22	3 years	86.05.08	157,530,708 *21,116,619	20.58% * 2.76%	170,133,164 *22,805,948	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 and Mercuries Social Welfare And Charity Foundation, Taoyuan County; director of Tasty Noodle, Family Shoemart, Mercuries Foodservice, Asiandawn, 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

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.: Chen, Siang-Chung	Male	107.06.22	3 years	103.01.15	157,530,708 *15,013,384	20.58% *1.96%	170,133,164 *16,214,454	20.58% *1.96%	911,617	0.11%	0	0	Bachelor of Industrial Engineering, Purdue University Departmental chief, Walsin Lihwa Corporation	Chairman & President, Mercuries Data Systems Ltd. Chairman, Mercuries Life Insurance Agency Co. Ltd., Hipact Tech. Inc., and Mercuries Soft (Nanjing) Ltd. Director, Mercuries Data Systems Ltd., Shanglin Investment Co., Ltd., Shanghong Investment Co., Ltd., EasyCard Corporation, Yangzheng Investment Co., Ltd., Institute for National Policy Research, and Foundation for Taiwan Masters Golf Independent Director, Walsin Lihwa Corporation and Teco Image Systems, Inc. Supervisor, Powertec Energy Corporation (Note 1) and Digicentre Company Co., Ltd. Chairman, Special Police Third Headquarter under Taiwan Police Federation Vice Chairman, Crime Investigation and Prevention Association Member of Audit Committee, Walsin Lihwa Corporation Member of Remuneration, Walsin Lihwa Corporation and Teco Image Systems, Inc.	Chairman	Chen, Siang-Li	Male sibling

Note 1: Chen, Siang-chung no longer acted as the supervisor of Powertec Energy Corporation from April 12, 2019

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 Shanghai Investment Co., Ltd.: Mao Ming-Yu	Male	107.06.22	3 years	86.05.08	157,530,708 *4,756,806	20.58% * 0.62%	170,133,164 *5,137,350	20.58% * 0.62%	77,858	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 Shuren Investment Co., Ltd. Wong Wei-Chyun	Male	107.06.22	3 years	101.06.05	108,631,770 * 5,634,730	14.19% * 0.74%	117,322,311 * 6,085,508	14.19% * 0.74%	113,436	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, Simple Mart Retail Co., Ltd., Shuren Investment Co., Ltd., Shufeng Investment Co., Ltd., Foundation for Taiwan Masters Golf Tournament, Shurong Co., Ltd., Shui-Mu Foundation of Chemistry, Kaohsiung City Lixue Education Foundation ; and director of Criminal Investigation and Prevention Association R.O.C.			

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							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	Fang Cheng-Yi	Male	107.06.22	3 years	72.10.03	* 5,961,052	* 0.78%	*6,437,936	* 0.78%	6,838,969	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.	-	-	-
Director	Republic of China	Representative of Shanghai Investment Co., Ltd.: Cheng-Li Teng	Male	107.06.22	3 years	107.06.22	157,530,708 *0	20.58% *0	170,133,164 *0	20.58% *0	2,116	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 Supervis of Fun2 Studio Co., Ltd. Director of Xubao Technology (Shanghai) Co., Ltd			

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,Miao	Male	107.06.22	3 years	104.06.24	*0	*0	*0	*0	0	0.00%	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.	Chairman, Allter Technology Co., 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. Member & Chairman of Audit Committee of the Company Member & Chairman of Remuneration Committee of the Company			

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	Tu, Li-cheng	Male	107.06.22	3 years	107.06.22	*0	*0	*0	*0	0	0.00%	0	0	MBA, University of Houston Department of Business Administration, National Taiwan University Chairman, TaiMed Biologics President, President International Development Corporation Director of Investment Development & CFO, Uni-President Enterprises Corporation Deputy Section Chief, Department of Loan and Guarantee, Export-Import Bank Coordinator, Department of Export, Bank of America Taipei Branch	Chairman, Xuan He Technology Corp. President, Outstanding Cayenne Independent Director, Coretronic Corp. Independent Director, SCI Pharmtech Inc. Supervisor, Foresee Pharmaceuticals Co., Ltd. Member of Audit Committee of the Company Member of Remuneration Committee of the Company	-	-	-

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	107.06.22	3 years	June 24, 2015	*0	*0	*0	*0	0	0.00%	0	0	Master of Business Administration, University of British Columbia Vice President, Bankers Trust Co., Taipei Branch	Chairman, Shanghai Dinghui Real Estate Development, Shanghai Ding Fan Department Store, Universal Scientific Industrial (Shanghai) Co., Ltd., ASE Trading (Shanghai), Universal Global Technology (Shanghai) Co., Ltd., Huanhao Electronics (Shanghai) Limited, Central Hong Electronics (Kunshan) Co., Ltd., Huanxu Electronics (Kunshan) Co., Ltd., and USI Inc. Director, Shanghai Dingwei Real Estate Development, Shanghai Dinghui Real Estate Development, Shanghai Dingqi Property Management, Kunshan Dinghong Real Estate Development, Kunshan Dingyue Real Estate Development, Advanced Semiconductor Engineering, Inc., ASE Test, Inc., ASE Technology Holding Co., Ltd., ASE Electronics, Inc., ASE (Kunshan) Inc., ASE (Hong Kong) Inc., USI Enterprise Limited, Huanxu Technology Co., Ltd., Universal Global Scientific Industrial Co., Ltd., USI Electronics (Shenzhen) Co., Ltd., Universal Scientific Industrial Co., Ltd., Jiangsu Longchen Greentech Co., Ltd., Suzhou ASEN Semiconductor Co., Ltd., Wuxi Tongzhi Microelectronics Co., Ltd., ASE Test Limited (Singapore), ASE Test Holdings Ltd., Omniquest Industrial Ltd., ISE Labs, Inc., Super Zone Holdings Ltd., HHI Co. Ltd., and Universal Global Technology Co., Ltd. Supervisor, ASE (Korea) Inc. Supervisor, ASE (Shanghai) Inc., ASE (Weihai) Inc., and ASE Assembly and Test (Shanghai) Member of Audit Committee of the Company Member of Remuneration Committee of the Company	-	-	-

(2) Major shareholders of the institutional shareholders

March 31, 2019

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

March 31, 2019

Name of the institutional shareholders	Major shareholders of the institutional shareholders	Shareholding percentage
Shanghong Investment Co., Ltd.	Hsu,Chang-Hui	23.08%
	Chen,Shiang-Li	23.08%
	Shanglin Investment Co., Ltd.	15.90%
	Chen,Shiang-Chieh	15.90%
	Chen,Shiang-Feng	11.28%
	Wang,Te-Pin	6.14%
	Chen,Shiang-Chung	4.62%
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

March 31, 2019

Condition Name	Does the individual have more than 5 years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note 2)										Currently serving as the independent director of other public companies
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	1	2	3	4	5	6	7	8	9	10	
Directors :														
Chen,Shiang-Li			✓						✓	✓		✓		0
Chen,Shiang-Chung			✓						✓	✓		✓		2
Mao,Ming-Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Wong,Wei-Chyun			✓				✓		✓	✓	✓	✓		0
Fang,Cheng-Yi			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Cheng,I-teng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Independent Directors :														
Lee,Mao	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tu,Te-cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Jeffrey Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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.

March 31, 2019

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 (Note 1)	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, Jiahong Investment Co., Ltd. and Mercuries Social Welfare And Charity Foundation, Taoyuan County; supervisor of Mercuries & Associates, Napoli, Mercuries Furniture, Mercuries Bakery, Mercuries Data Systems and Like record Co., Ltd ; 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 Management (Shanghai), Mercuries Bakery (Shanghai), and Mercuries Rich.	None	None	None

Note 1: Wang Chih-hua acted as the supervisor of Powertec Energy Corporation from April 12, 2019.

(2)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, , Lee,Mao, Tu,Te-cheng and Jeffrey Chen Representative of Shanglin Investment: Chen,Shiang-Li, Chen,Shiang-Chung, Mao,Ming-Yu and Cheng,I-teng, Representative of Shuren Investment : Wong,Wei-Chyun	Fang,Cheng-Yi, , Lee,Mao, Tu,Te-cheng and Jeffrey Chen Representative of Shanglin Investment: Chen,Shiang-Chung, Mao,Ming-Yu and Cheng,I-teng Representative of Shuren Investment : Wong,Wei-Chyun	Fang,Cheng-Yi, Lee,Mao, Tu,Te-cheng and Jeffrey Chen Representative of Shanglin Investment: Mao,Ming-Yu and Cheng,I-teng	Fang,Cheng-Yi, Lee,Mao, Tu,Te-cheng and Jeffrey Chen Representative of Shanglin Investment: Mao,Ming-Yu and Cheng,I-teng
NT\$ 2,000,000(inclusive) to NT\$ 5,000,000	-	-	-	-
NT\$5,000,000(inclusive) to NT\$ 10,000,000	-	Representative of Shanglin Investment: Chen,Shiang-Li	Representative of Shanglin Investment: Chen,Shiang-Li	Representative of Shanglin Investment: Chen,Shiang-Li
NT\$10,000,000(inclusive) to NT\$ 15,000,000	-	-	Representative of Shanglin Investment: Chen,Shiang-Chung Representative of Shuren Investment : Wong,Wei-Chyun	Representative of Shanglin Investment: Chen,Shiang-Chung Representative of Shuren Investment : Wong,Wei-Chyun
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	9	9	9	9

(2) Supervisor's remuneration (aggregate remuneration with name(s) indicated for each remuneration range)

On June 22, 2018, 6 directors and 3 independent directors were re-elected. On the same day, the Audit Committee was established.

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	0	0	50	50	0.02%	0.02%	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.

Table of remuneration ranges(2018.1.1 to 2018.6.21)

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	6,279	6,279	207	207	8,200	8,200	0	0	0	0	4.42%	4.42%	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 29, 2019, approved the issuance of employees' compensation of NT\$ 5,200,000.

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 29, 2019, approved the issuance of employees' compensation of NT\$ 5,200,000.

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	
	2018	2017	2018	2017
Directors	4.07%	1.21%	11.60%	3.06%
Supervisors	0.02%	0.13%	0.02%	0.13%
General Managers and Assistant general managers	4.42%	0.94%	4.42%	0.94%

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 Percentage (%)	Note
Chairman	Shanglin Investment Chen,Shiang-Li	10	1	91%	-
Director	Shanglin Investment Chen,Shiang-Chung	9	0	82%	-
Director	Shanglin Investment Mao,Ming-Yu	11	0	100%	-
Director	Shuren Investment Wong,Wei-Chyun	9	0	82%	-
Director	Fang,Cheng-Yi	10	0	91%	-
Director	Shanglin Investment Cheng,I-teng	7	1	88%	Note 1
Director	Shanglin Investment Yang,Li-Yun	3	0	100%	Note 2
Director	Shanglin Investment Wang,Hsien-Chang	1	1	33%	Note 2
Independent director	Lee,Mao	11	0	100%	-
Independent director	Tu,Te-cheng	4	3	50%	Note 1
Independent director	Jeffrey Chen	4	2	36%	-

Other items that shall be recorded:

1. For any item listed in Article 14 Paragraph 3 of the *Securities and Exchange Act* as well as any other issues where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ, and have been submitted to the Directors' Meeting for resolution, the date, session, topic discussed, opinions of every independent directors, and the Companies' handling of the opinions of the independent directors:
 - (1) Any matter listed in Article 14-3 of the *Securities and Exchange Act*: Independent directors did not provide any opinions during the 11 board meetings held in 2018.
 - (2) In addition to the aforementioned matters, any other resolutions from the board meetings where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ: None.
2. For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process:

For the first proposal for the adoption of managers' compensation among the discussion items in the Board meeting on January 31, 2018, Director Chen,Shiang-Li did not participate in the vote due to the conflict of interests.
3. Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented:
 - (1) On June 22, 2018, 6 directors and 3 independent directors were re-elected. On the same day, the Audit Committee was established.
 - (2) For all Directors, the total number of training hours was 72 in 2018.
 - (3) 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):
 - A. The Company convenes a Board meeting at least once every two months. In 2018, the chief internal auditor attended 10 Board meetings as a nonvoting participant to report the results of internal audits and communicate with independent directors face-to-face. In 2018, independent directors provided no recommendations for internal controls.
 - B. The CPAs attended the Board meetings on March 23, May 11, August 14, and November 14, 2018, and the shareholders' meeting on June 22, 2018 as nonvoting participants 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 comments on the aforesaid issues.
 - C. Contact information of independent directors, the internal auditor officer, and the CPAs is provided to facilitate communication.

Note 1: Elected as the director (independent director) on June 22, 2018; the attendance rate is calculated by the frequency of attendance divided by the frequency of Board meetings in 2018 after election.

Note 2: Resigning from the director on June 22, 2018; the attendance rate is calculated by the frequency of attendance divided by the frequency of Board meetings in 2018 before resignation.

B. Attendance of independent directors in board meetings in 2018 :

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

2018	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Seventh Meeting	Eighth Meeting	Ninth Meeting	Tenth Meeting	Eleventh Meeting
Lee,Mao	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Tu,Te-cheng	(Note1)	(Note1)	(Note1)	*	◎	◎	※	◎	※	◎	※
Jeffrey Chen	*	◎	※	*	*	◎	*	※	*	◎	◎

Note1 : Became an independent director on the fourth meeting of the board of directors.

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

A. The Company re-elected directors (including independent directors) and established the Audit Committee in the shareholders' meeting on June 22, 2018.

B. A total of 11 Board meetings were held in 2018.

(1) During the term of office from January 1, 2018 to June 21, 2018, a total of 3 Board meetings were held. 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	2	0	67%
Supervisor	Cheng,I-teng	3	0	100%

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 3th Board meetings convened in 2018.

(2) Operations of the Audit Committee

A total of 4 Audit Committee meetings were held in 2018. The attendance of independent directors is as follows:

Title	Name	Times of in Person Attendance (as Nonvoting Participants)	Times of Proxy Attendance	Attendance Rate as Nonvoting Participants (%)	Note
Independent Director	Lee Mao	4	0	100%	-
Independent Director	Tu Te-cheng	4	0	100%	
Independent Director	Jeffrey Chen	2	2	50%	-

Other items that shall be recorded:

1. Items listed in Article 14-5 of the Securities and Exchange Act:

Date of Meeting	Term	Content of Proposal	Company's Disposal of Independent Directors' Opinions
107.7.18	2nd meeting of 1st-term	Appointment of chief auditor	Passed by all independent directors
107.8.14	3rd meeting of 1st-term	Q2 2018 financial statements	
107.11.14	4th meeting of 1st-term	Q3 2018 financial statements 2019 ual audit plans	

2. Proposals approved by two-thirds of the Board of Directors and yet to be passed by the Audit Committee: None.

3. Incidents where independent directors must implement recusal for conflicts of interest: None.

4. Communication among Independent Directors, internal audit Supervisors, and CPA (including important matters, methods, and results of the Company's finance and operations):

(1)The chief auditor communicates with the Audit Committee about the audit report on a regular basis and submits the internal audit report to the Audit Committee meeting. For special cases, the chief auditor reports to the Audit Committee immediately.

(2)The CPAs report the quarterly audit or review report in the Audit Committee meeting every quarter, including the application of new accounting principles and other statutory requirements. For special cases, the CPAs report to the Audit Committee immediately.

The independent directors, chief auditor, and CPAs communicate about the following:

Date of Meeting	Term	Communication with Chief Auditor	Communication with the CPAs
107.7.18	2nd meeting of 1st-term	Review the internal audit report	None.
107.8.14	3rd meeting of 1st-term	Review the internal audit report Q2 2018 financial statements	Discuss Q2 2018 financial statements and approve communication matters during the completion phase.
107.11.14	4th meeting of 1st-term	Review the internal audit report Q3 2018 financial statements Review and pass the 2019 audit plan.	Discuss Q3 2018 financial statements and approve communication matters during the completion phase. Discuss the application of IFRS 9.

(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? (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? (3) Did the Company establish and enforce risk controls and firewall systems with its affiliated companies? (4) Did the Company stipulate internal rules that prohibit insiders from trading securities using information not disclosed to the market?	V V V 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. (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. (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. According to the internal control procedures and related laws and regulations, the Company has prohibited any insiders from using undisclosed information for securities trading. Unannounced audits would also be conducted by the auditing departments.	None. None. None. 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? (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 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 154 of this Annual Report. (2) The Company shall, whenever appropriate, evaluate the necessity of establishing functional committees.	None. 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	
(3) Did the Company stipulate regulations for assessing the performance of the Board of Directors and the process of assessment? Are these performance assessments carried out regularly every year?	V		(3) The Company referred to the Regulations Governing Self-Evaluation or Peer Evaluation of the Board of Directors to conduct annual performance evaluations. Results of the Directors' self-evaluations for 2018 were reported in the Board meeting on January 22, 2018. A total of 11 Board meetings were convened in 2018 with the average attendance of 80%, 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 2018.	None.
(4) Did the Company regularly assess the independence of the CPAs?	V		(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 May15, 2018. 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.	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		(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. (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.	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	
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' meetings within the Company.	None.
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance? (2) Did the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company website)?	V 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. (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. 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	None None None 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>according to the Ethical Corporate Management Best Practice Principles 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 46 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 129 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>None</p> <p>None</p> <p>None</p> <p>None</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	
			US\$5 million of liability insurance for directors is expected to be purchased before June 30, 2018. The insured amount, coverage and relevant matters should be reported to the Board of Directors.	
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 5th 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 state of improvement:</p> <ol style="list-style-type: none"> 1. Members of the Remuneration Committee of the Company failed to attend at least two meetings. State of improvement: The Company will invite members of the Remuneration Committee to attend the meetings in 2019. 2. The average attendance of all directors at the meetings of the Board of Directors did not reach 80%. State of improvement: The Company will invite directors to attend the meetings in 2019. 3. The Company did not purchase liability insurance for all directors and supervisors and report to the Board of Directors. Statement of improvement: The Company will purchase liability insurance for all directors and supervisors and report to the Board of Directors before the end of June 2019. 4. The Company did not disclose communication between the independent directors, chief internal auditor, and CPAs. Statement of improvement: The Company will disclose communication between the independent directors, chief internal auditor, and CPAs on the company website in 2019. 5. The Chairman and the President of the Company were the same person. The Company did not disclose communication between the independent directors, chief internal auditor, and CPAs, provide financial statements and company website in English, voluntarily disclose compensation for each director and supervisor, convene at least two investor conferences, disclose a clear dividend policy, appoint the designated person in charge of corporate governance, set up an ethical corporate management department, establish specific preventive measures for unethical conduct 	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>and report to the Board of Directors on a regular basis, formulate an energy conservation and carbon reduction policy and disclose CO2 emissions, make a human rights policy, sign an collective agreement with the labor union, and disclose the grievance system.</p> <p>Statement of improvement: The Company shall, by considering internal policies and costs of implementation, carry out the items as required.</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	✓
Independent director	Tu Te-cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 18, 2018 to June 21, 2021. In the latest fiscal year (2018), 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 person (%)	Note
Committee chair	Lee,Mao	2	0	100%	-
Member	Jeffrey Chen	2	0	100%	-
Member	Tu Te-cheng	1	0	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	
1. Implementation of corporate governance				
(1) Has the Company stipulated corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of its CSR activities?	V		(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 2018 CSR Report is currently under core option review by the British Standards Institution (BSI) Taiwan Branch. The review is expected to be completed in June 2019. The scope of the 2018 CSR report includes the Company's main subsidiaries, namely Mercuries & Associates, Ltd., Mercuries F&B 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 Mercuries F&B 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.	None.
(2) Has the Company provided regular training on CSR topics?	V		(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.	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	
(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?	V		<p>(3)</p> <pre> graph TD A[Chairperson Chairman] --> B[Deputy Chairperson Assistant General Manager] B --> C[Executive Director Manager of EHS Office] C --> D[Executive Secretary Officer of EHS Office] C --> E[Affiliated Enterprises Mercuries Life Insurance SCI Pharmtech Inc.] C --> F[General Affairs Division General Manager] C --> G[Food Services Division General Manager] C --> H[Family Shoes Division General Manager] F --> I[Store Development Dept.] F --> J[General Affairs Division] G --> K[Food Services Division] H --> L[Family Shoes Division] </pre> <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>	None.
(4) Has the Company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the Company established a clear reward and penalty system?			<p>(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.

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>2. Developing a sustainable environment</p> <p>(1) Is the Company committed to improving usage efficiencies of resources? Does the Company use renewable resources with reduced environmental impacts?</p> <p>(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?</p> <p>(3) Is the Company concerned with changes 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?</p>	V		<p>(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. Through a sound waste management system, the waste management procedures were implemented to improve the efficiency of recycling. With such stringent control, there has been no significant pollution incidents in recent years. We will also continuously adopt innovative and efficient treatments to reduce environmental pollution. General waste is mainly treated by incineration. Recycling was conducted through legitimate suppliers on a regular basis. In 2018, 267.5 tons of waste were cleaned, and 191 tons of waste were recycled, accounting for 71% of total waste. The Company will continue to achieve a friendly environment in the future.</p> <p>(2) A dedicated unit was assigned to maintain office and working environments. Cleaning companies or professionals were also commissioned to maintain environmental cleanliness. Every subsidiary of the Company also strived to optimize the environmental management system. In 2017, Mercuries & Associates, Ltd. passed the certification of ISO50001 and passed the re-evaluation in September 2018.</p> <p>(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 June 2018, Mercuries & Associates, Ltd. launched energy-saving action plan on 5F by turning off blowers 1 hour before, which is estimated to reduce 17,478 million joules and 13.2% of power density and save power by 1% annually. Family Shoes continued to use the air-conditioner model, R410A, and replace halogen projectors with LED projectors and lights to reduce energy consumption.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p>3. Sustaining community services</p> <p>(1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?</p>	V		<p>(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</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	
<p>(2) Has the Company established employee appeal system and channels? Are employee appeals handled appropriately?</p> <p>(3) Has the Company provided employees safe and healthy working environments? Are employees given regular training courses on health and safety?</p>	V		<p>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.</p> <p>(2) The Company has published an appeal handling flowchart and appeal channels on its website, and has not received stakeholder complaints in 2017.</p> <p>(3) Every company has established the Occupational Safety and Health Committee and the Employee Welfare Committee in accordance with the regulations. 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 addition to 3 hours of safety and health training every year, 6 seminars on occupational safety and health were organized in 2018. To strengthen the central kitchen personnel's capability of emergency response, the Company made the hazard prevention and contingency plan and completed the drill in pipeline ruptures caused by an earthquake in 2018. In 2018, the Company received the certificate of Zero Hazard Working Hours from the Industrial Safety and Health Association of the R.O.C. In terms of workplace health, occupational health nurses and specialists in occupational disasters were appointed to provide 84 health sessions on-site in 2018. The Company works with hospitals recognized by the Ministry of Labor to organize the annual health examination for employees. According to the results of the health examination, health promotion courses are planned; employees may also consult on-site physicians in person or by phone or e-mail. To prevent employees from illegal prejudice during the performance of their duties, the Company made the workplace violence prevention plan and included it in orientation training for new employees.</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 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.
(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.	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.

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	
(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. 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.	None.
(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		(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. 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.	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: 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	
6. Other important information useful for understanding the state of CSR operations:				
(1)To fulfill the principle of "Contribute 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.				
(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. The following awards were received in 2018:				
1. Gold Award (sponsorship category), Long-term Sponsorship Award, and Bronze Award (promotion category) in Sports Activist Awards.				
2. i sports certificate issued by Sports Administration, TWSE Corporate Governance 100 Index, and excellence rating in CG6011.				
3. Corporate Sustainability Report - Finance and Insurance Gold Award in Taiwan Corporate Sustainability Award and 10 awards and 5 merits in Faith, Hope & Love Awards of Insurance.				
4. Buying Power - Special Award (Social Innovative Product and Service) for second-hand collections and volunteer activities.				
(3)The 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 and served about 1,600 people.				
(4)Since its establishment, Family Shoes became a participant of the Single Shoes Bank to benefit those with only one leg.				
(5)The Foundation of Chinese Dietary Culture provided scholarships for master and doctoral papers.				
(6)In 2018, the Group donated NT\$8 million to Hualien County Government to provide assistance for the victims of the earthquake.				
(7)Charity donations were held every now and then to care for the underprivileged. The Company actively worked with the government to promote various policies in environmental protection as well as energy saving and carbon reduction measures to fulfill CSR requirements.				
7. Any review standards of certification bodies that the Company's CSR report has been qualified for shall be described: The 2017 CSR Report issued in 2018 was certified by the BSI. The 2018 CSR Report is expected to be published in June 2019.				

(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	
<p>1. Stipulating policies and plans for ethical corporate management</p> <p>(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?</p> <p>(2) Has the Company stipulated a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within the said plan? Is the plan implemented accordingly?</p> <p>(3) Has the Company established preventive measures for the items prescribed in 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?</p>	V		<p>(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.</p> <p>(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.</p> <p>(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.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p>2. Implementing ethical corporate management</p> <p>(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?</p> <p>(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?</p> <p>(3) Has the Company established policies preventing conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(4) Has the Company established effective accounting systems and</p>	V	V	<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(4) Regular or unannounced audits of every business cycle are carried out</p>	<p>None.</p> <p>The Company will carefully evaluate and plan the procedures and measures for appointing a dedicated person to be in charge of corporate governance.</p> <p>None.</p> <p>None.</p>

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.
<p>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.</p>				
<p>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.</p>				

(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 2018:

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	2018/6/22	1997/5/8	2018/9/28	2018/9/28	Taiwan Corporate Governance Association	Exploring the Latest Amendment to the Company Act	3	6
				2018/7/18	2018/7/18	Taiwan Corporate Governance Association	Board of Directors' Mission-critical Role in Applications of Innovative Technology	3	
Corporate Director Representative	Chen,Shiang-Chung	2018/6/22	2014/1/15	2018/7/18	2018/7/18	Taiwan Corporate Governance Association	Board of Directors' Mission-critical Role in Applications of Innovative Technology	3	9
				2018/7/18	2018/7/18	Taiwan Corporate Governance Association	Common Frauds in Procurement and Sales Activities	3	
				2018/4/13	2018/4/13	Taiwan Corporate Governance Association	Exploring Tax Environment Changes and Taxation Reforms in Taiwan, China, and the U.S. from the Global Wave of Tax Avoidance	3	
Corporate Director Representative	Wong,Wei-Chyun	2018/6/22	2012/6/5	2018/11/07	2018/11/07	Taiwan Academy of Banking and Finance	Case Study of Established Offenses of Breach of Trust and Special Breach of Trust by Directors and Supervisors	3	6
				2018/09/28	2018/09/28	Taiwan Academy of Banking and Finance	Seminar on Corporate Governance and Corporate Sustainability	3	
Corporate Director Representative	Mao,Ming-Yu	2018/6/22	1997/5/8	2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Board of Directors' Mission-critical Role in Applications of Innovative Technology	3	6
				2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Common Frauds in Procurement and Sales Activities	3	
Corporate Director Representative	Cheng,I-teng	2018/6/22	2018/6/22	2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Board of Directors' Mission-critical Role in Applications of Innovative Technology	3	6
				2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Common Frauds in Procurement and Sales Activities	3	
Director	Fang,Cheng-Yi	2018/6/22	1983/10/3	2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Board of Directors' Mission-critical Role in Applications of Innovative Technology	3	6
				2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Common Frauds in Procurement and Sales Activities	3	
Independent Director	Lee,Mao	2018/6/22	2015/6/24	2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Board of Directors' Mission-critical Role in Applications of Innovative Technology	3	15
				2018/05/08	2018/05/08	Taiwan Corporate Governance Association	Corporate Governance and Social Corporate Responsibility	3	
				2018/04/10	2018/04/10	Taiwan Corporate Governance Association	Exploring Information of Financial Statements	3	
				2018/03/05	2018/03/05	Taiwan Corporate Governance Association	Exploring Legal Liability for Insider Trading and Short-swing Trading and Case Study	3	
Independent Director	Jeffrey Chen	2018/6/22	2015/6/24	2018/03/05	2018/03/05	Taiwan Corporate Governance Association	Competition for Management Rights and Family Governance	3	6
				2018/11/6	2018/11/6	Taiwan Corporate Governance Association	Trends and Challenges for Information Security Governance	3	
Independent Director	Tu,Te-cheng	2018/6/22	2018/6/22	2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Board of Directors' Mission-critical Role in Applications of Innovative Technology	3	12
				2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Common Frauds in Procurement and Sales Activities	3	
				2018/03/26	2018/3/26	Taiwan Corporate Governance Association	Exploring Significant Issues of Business and Tax Regulations	3	
				2018/3/26	2018/3/26	Taiwan Corporate Governance Association	Directors' and Supervisors' Responsibilities for Mergers and Acquisitions	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	107/10/04	107/10/05	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12	12

(9) Implementation of the internal control system

A. Statement on internal controls

MERCURIES & ASSOCIATES HOLDING, LTD.

Statement of Internal Control System

Date: March 29, 2019

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2018:

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, 2018 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 29, 2019. 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 2018:

The 2018 annual general meeting of the Company was held on June 22, 2018 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 2017 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 2017 earnings distribution.

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

II. Discussion Items:

Propose 1

Proposal: To comply with the standards for listing pertaining to stock dispersion of Simple Mart Retail Co. Ltd. (Simple Mart), the Company had proposed to sell some shares of Simple Mart and waive its right to subscribe to shares issued by Simple Mart for capital increase by cash.

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

Propose 2

Proposal: Amendment to the Company's Articles of Association.

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

Propose 3

Proposal: Amendment to the Company's Rules and Procedures of Shareholders' Meeting.

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

Propose 4

Proposal: Amendment to the Company's Rules for Election of Directors and Supervisors.

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

Proposal 5

Proposal: Amendment to the Procedures for Acquisition or Disposal of Assets.

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

Proposal 6

Proposal: Amendment to the Company's Procedures for Endorsement and Guarantee.

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

Proposal 7: Amendment to the Company's Procedures for Lending Funds to Other Parties.

Proposal: Amendment to the Company's Procedures for Endorsement and Guarantee.

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

Proposal 8: Capitalization of earnings by issuing new shares.

Proposal: Amendment to the Company's Procedures for Endorsement and Guarantee.

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

III. Election

Election of 9 directors (including 3 independent directors) of the 19th Board of Directors.

Results of the election: The following directors are elected:

Representatives of Shanghong Investment Co., Ltd.: Chen,Shiang-Li,
Chen,Shiang-Chung, Mao,Ming-Yu, and Cheng,I-teng.

Representatives of Shuren Investment Co., Ltd.: Wong,Wei-Chyun.
Fang,Cheng-Yi.

Independent directors: Lee Mao, Jeffrey Chen, and Tu,Te-cheng.

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

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

- (1) Proposal for earnings distribution: August 11, 2018 was selected as the record date for distribution while the date for actual distribution was September 7, 2018 (cash dividend per share and stock dividend per share were set to NT\$0.8 and NT\$0.8, respectively). The amount to be distributed was the same as the amount adopted by resolution in the shareholders' meeting.
- (2) 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.
- (3) The change registration of elected directors has also been completed.
- (4) All resolutions from the 2018 annual 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
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 (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. 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.

Date of Key Resolution	Content of Key Resolution	Result of Key Resolution
1st Meeting of the 19th Board of Directors June 22, 2018	Election (1) Election of new Chairman of the Company.	The election of Hsiang-i Chen as the new Chairman was unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
2nd Meeting of the 19th Board of Directors July 18, 2018	Report Items (1) Audit report. (2) Dissolution of Monteur Co., Ltd. (investee company). Discussion Items (1) Appointment of the 4th Remuneration Committee of the Company. (2) Change in the chief auditor of the Company. (3) Application for line of credit with the bank. (4) The ex-right and ex-dividend dates for the distribution of cash dividends from earnings and increase by earnings recapitalization. (5) Recovery of restricted employee shares issued for cancellation and capital reduction.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
3rd Meeting of the 19th Board of Directors August 14, 2018	Report Items (1) The Company's consolidated financial statements for the second quarter of 2018 and 2017. (2) Audit report. Discussion Items (1) Application for line of credit with the bank. (2) Recovery of restricted employee shares issued for cancellation and capital reduction.	Unanimously approved by all directors present in the meeting. Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
4th Meeting of the 19th Board of Directors October 26, 2018	Report Items (1) Cash capital reduction of Napoli Co., Ltd. (2) Restructuring of Mercuries & Associates, Ltd. due to spin-off of the Food Service Business Unit. (3) Capital reduction of Mercuries & Associates, Ltd. due to spin-off. (4) Issuance of new shares due to transfer of Napoli Co., Ltd.	
5th Meeting of the 19th Board of Directors November 14, 2018	Report Items (1) The Company's consolidated financial statements for the third quarter of 2018 and 2017. (2) Audit report. (3) Capital increase by cash and subscription to Monteur & Mercuries Co., Ltd. Discussion Items (1) Application for line of credit with the bank. (2) Recovery of restricted employee shares issued for cancellation and capital reduction. (3) The Company's 2019 audit plan. (4) The Company's 2019 Board meeting schedule.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
6th Meeting of the 19th Board of Directors	Discussion Items (1) Listing of Simple Mart Retail Co., Ltd. on TPEx.	Unanimously approved by all directors present in the meeting. Opinions of independent directors:

Date of Key Resolution	Content of Key Resolution	Result of Key Resolution
November 29, 2018		None. Disposal of opinions of independent directors: None.
7th Meeting of the 19th Board of Directors December 11, 2018	Discussion Items (1) Capital increase by cash and subscription to Mercuries Life Insurance Co., Ltd.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
8th Meeting of the 19th Board of Directors December 25, 2018	Report Items (1) Audit report. Discussion Items (1) The Company's endorsements and guarantees. (2) Application for line of credit with the bank.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
9th Meeting of the 19th Board of Directors January 22, 2019	Report Items (1) Audit report. (2) Board of Directors evaluation report. Discussion Items (1) Application for line of credit with the bank. (2) Remuneration of the Company's managerial officers.	Unanimously approved by all directors present in the meeting. (Director Hsiang-li Chen recused himself from voting in Proposal 2 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors: None.
10th Meeting of the 19th Board of Directors March 15, 2019	Discussion Items (1) Loans to Sanyou Drugstores, Ltd. (2) Application for line of credit with the bank. (3) Convention of the 2019 annual shareholders' meeting.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
11th Meeting of the 19th Board of Directors March 29, 2019	Report Items (1) Audit report. Discussion Items (1) The Company's 2018 business report and financial statements. (2) The Company's statement of internal control for 2018. (3) The Company's budget for 2019. (4) Application for line of credit with the bank. (5) Formulation of and amendments to internal policies in accordance with related laws and regulations and practical needs. (6) Distribution of compensation for employees and remuneration for directors and supervisors. (7) The Company's 2018 earnings distribution. (8) Distribution of capital reserve in cash. (9) Convention of the 2019 annual shareholders' meeting.	Unanimously approved by all directors present in the meeting. (Director I-cheng Fang recused himself from the discussion and voting in Proposal 6 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors: None.

D. List of proposals of the Audit Committee

Time	Content of Proposal	Results of Resolution
1st Meeting of 1st Audit Committee July 10, 2018	Discussion Items 1. Election of convener of the 1st Audit Committee.	The election of Li Mao as the convener was unanimously approved by all members present in the meeting.
2nd Meeting of 1st Audit Committee (107.07.18)	Discussion Items 1. Change in the chief auditor.	The election of Chun-lin Wu as the chief auditor was unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
3rd Meeting of 1st Audit Committee August 14, 2018	Report Items 1. The Company's consolidated financial statements of the second quarter of 2018 and 2017. 2. Audit report.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
4th Meeting of 1st Audit Committee November 14, 2018	Report Items 1. The Company's consolidated financial statements of the third quarter of 2018 and 2017. 2. Audit report. Discussion Items 1. The Company's 2019 audit plan.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
5th Meeting of 1st Audit Committee March 29, 2019	Discussion Items 1. The Company's 2018 business report and financial statements. 2. The Company's statement of internal control. 3. Formulation of and amendments to internal policies in accordance with related laws and regulations and practical needs. 4. The Company's 2018 earnings distribution. 5. Distribution of capital reserve in cash. 6. Audit report.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.

E. List of proposals of the remuneration committee

Time	Content of Proposal	Result of Resolution
5th Meeting of the 3rd Remuneration Committee (January 31, 2018)	Discussion Items: (1) 2016 year-end bonuses for managerial officers (paid in 2017).	Unanimously approved by all members present in the meeting.
6th Meeting of the 3rd Remuneration Committee (March 23, 2018)	Discussion Items: (1) 2016 remuneration for the Company's Directors and Supervisors (paid in 2017).	Unanimously approved by all members present in the meeting.
1st Meeting of the 4th Remuneration Committee (January 22, 2019)	Discussion Items: (1) 2017 year-end bonuses for managerial officers (paid in 2018).	Unanimously approved by all members present in the meeting.
2nd Meeting of the 4th Remuneration Committee (March 29, 2019)	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:

On June 11, 2018, the chief internal auditor applied for retirement, which took effect on August 1, 2018. The new chief internal auditor assumed office on the same day.

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, 2018 to December 31, 2018	-

Professional charge		Accounting charge	Non-accounting charge
Fee range			
1	Less than NT\$ 2,000,000	-	NT\$ 735,000
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000	-	-
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000	NT\$ 4,200,000	-
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\$155 thousand	-	NT\$580 thousand	NT\$735 thousand	1. Financial consulting service for equity transaction: NT\$380 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 May 11, 2018. 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	2018		As of March 31, 2019	
		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	12,602,456	6,000,000	0	13,100,000
Corporate representative of the chairman / Managerial officer	Chen, Shiang-Li	1,689,329	7,200,000	0	(6,200,000)
Corporate representative of the director	Chen, Shiang-Chung	1,201,070	0	0	0
Corporate representative of the director	Mao, Ming-Yu	380,544	0	0	0
Corporate representative of the director	Cheng, I-teng	0	0	0	0
Director / Major shareholders	Shuren Investment	8,690,541	0	0	0
Corporate representative of the director	Wong, Wei-Chyun	450,778	0	0	0
Director	Fang, Cheng-Yi	476,884	0	(3,100,000)	0
Independent director	Lee, Mao	0	0	0	0
Independent director	Jeffrey Chen	0	0	0	0
Independent director	Tu, Te-cheng	0	0	0	0
Managerial officer	Wang, Chih-Hua	12,399	0	0	0
Managerial officer	Chen, Te-Kai	4,438	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 16, 2019

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	170,133,164	20.58%	-	-	-	-	-	-	-
Shuren Investment Representative: Wong,Chau-Shi	117,322,311	14.19%	-	-	-	-	Shufeng Investment	Same person as the chairman	-
Shufeng Investment Representative: Wong,Chau-Shi	41,528,101	5.02%	-	-	-	-	Shuren Investment	Same person as the chairman	-
Mercury Fu Bao Co., Ltd. Representative: Wang,Hsien-chang	39,986,328	4.84%	-	-	-	-	-	-	-
Shanghong Investment. Representative: Chen,Shiang-Li	36,656,078	4.43%	-	-	-	-	Chen,Shiang-Li	Chairman of this company	-
Chen,Shiang-Li	22,805,948	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	20,463,534	2.48%	-	-	-	-	-	-	-
Pension fund management committee of Mercuries & Associates, Ltd. Representative: Chen,Shiang-Li	18,784,263	2.27%	-	-	-	-	Chen,Shiang-Li	Representative of the committee	-
Wong,Chau-Shi	17,898,605	2.17%	16,509,468	2.00%	-	-	Yang,Chun-Hui	Spouse	-
Yang,Chun-Hui	16,509,468	2.00%	17,898,605	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; %

March 31, 2019 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	40,000	100.00%	0	0.00%	40,000	100.00%
Mercuries Data Systems Ltd.	98,505	53.44%	784	0.43%	99,289	53.87%
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.	984,650	41.51%	365,879	15.43%	1,350,529	56.94%
Mercuries Harvest Co., Ltd.	9,000	100.00%	0	0.00%	9,000	100.00%
Napoli Co., Ltd.	39,950	100.00%	0	0.00%	39,950	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	31.75%	1,999	2.51%	27,235	34.26%
Mercuries Furniture Co., Ltd.	13,000	100.00%	0	0.00%	13,000	100.00%
Fuh Hwa Securities Investment Trust Co., Ltd.	1,971	3.28%	22,028	36.71%	23,999	40.00%
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.	500	100.00%	0	0.00%	500	100.00%
Sanyou Drugstores, Ltd.	25,000	50.00%	0	0.00%	25,000	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%
Mercuries FoodService Japan, Ltd.	—	1.54%	—	98.46%	—	100.00%
Simple Mart Retail Co., Ltd.	36,789	69.29%	0	0.00%	36,789	69.29%

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

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

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	-	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
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
July 2018	-	900,000,000	9,000,000	765,450,749	7,654,507	Cancellation of restricted employee stocks for a capital reduction of NT\$ 40,000	None	Note 33
August 2018	10 元	900,000,000	9,000,000	826,687,688	8,266,877	Recapitalization of retained earnings 612,370,000	None	Note 34
September 2018	-	900,000,000	9,000,000	826,684,688	8,266,847	Cancellation of restricted employee stocks for a capital reduction of NT\$ 30,000	None	Note 35
December 2018	-	900,000,000	9,000,000	826,682,688	8,266,827	Cancellation of restricted employee stocks for a capital reduction of NT\$ 20,000	None	Note 36

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 NTS 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..

Note 33: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10701095780 of August 8, 2018; approved by Statement No. 107081601 of August 16, 2018.

Note 34: Statement entered into force by the Financial Supervisory Commission (FSC) on July 3, 2018; approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10701104380 of August 17, 2018.

Note 35: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10701095780 of September 6, 2018; approved by Statement No. 107091401 of September 14, 2018.

Note 36: Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10701149540 of December 3, 2018; approved by Statement No. 107120701 of December 7, 2018.

(2) Category of shares

April 16, 2019 Unit: Shares

Category of shares	Authorized stock			Note
	Outstanding shares (note)	Unissued shares	Total	
Registered common shares	826,682,688	73,317,312	900,000,000	Outstanding stock of a listed company

(3) Shareholder structure

April 16, 2019 Unit: Shares

Shareholder structure	Government agencies	Financial institutions	Institutional shareholders	Per individual	Overseas institutions and individuals	Total
Quantity						
Number of individuals	2	2	79	26,422	110	26,615
Shares held	20,463,538	44,480	449,333,887	288,507,065	68,342,718	826,691,688
Percentage held	2.47%	0.01%	54.35%	34.90%	8.27%	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 16, 2019 Unit: Shares

Shareholding range	Number of shareholders	Total shares	Percentage of issued shares (%)
1 to 999	12,251	3,070,942	0.37%
1,000 to 5,000	9,143	20,438,268	2.47%
5,001 to 10,000	2,373	17,374,569	2.10%
10,001 to 15,000	925	11,230,560	1.36%
15,001 to 20,000	462	8,002,455	0.97%
20,001 to 30,000	530	12,922,288	1.56%
30,001 to 50,000	369	14,216,995	1.72%
50,001 to 100,000	289	20,537,987	2.48%
100,001 to 200,000	129	17,869,178	2.16%
200,001 to 400,000	56	15,334,116	1.86%
400,001 to 600,000	26	13,044,534	1.58%
600,001 to 800,000	16	10,717,284	1.30%
800,001 to 1,000,000	6	5,394,864	0.65%
> 1,000,001	42	656,528,648	79.42%
Total	26,615	826,682,688	100%

(5) List of major shareholders

April 16, 2019 Unit: Shares

Name of major shareholder	Shares held	Shareholding percentage
Shanglin Investment Co., Ltd.	170,133,164	20.58%
Shuren Investment Co., Ltd.	117,322,311	14.19%
Shufeng Investment Co., Ltd.	41,528,101	5.02%
Mercury Fu Bao Co., Ltd.	39,986,328	4.84%
Shanghong Investment Co., Ltd.	36,656,078	4.43%
Chen,Shiang-Li	22,805,948	2.76%
New employee pension fund	20,463,534	2.48%
Mercuries & Associates, Ltd. Pension fund management committee	18,784,263	2.27%
Wong,Chau-Shi	17,898,605	2.17%
Yang,Chun-Hui	16,509,468	2.00%

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

Item		Year	2017	2018	From this fiscal year to March 31, 2019 (Note 4)
Market price per share	Max		27.50	26.40	19.15
	Min		21.05	17.55	17.05
	Average		23.73	23.41	17.86
Net value per share	Before issuance		23.45	13.94	—
	After issuance		17.40	13.41(Note 5)	—
Earnings per share	Weighted average (thousand shares)		721,442	779,276	—
	Earnings per share	2.27	0.43	—	—
		2.11	—	—	-
Dividend per share (DPS)	Cash dividend		0.8	0.5(Note 5)	—
	Free allotment	0.8	—	—	-
		—	—	—	-
	Cumulative unpaid dividends		—	—	—
Return on investment analysis	Price-to-earning ratio (P/E) (Note 1)		10.45	54.44	—
	Price-to-dividend ratio (P/D) (Note 2)		29.66	46.82(Note 5)	—
	Cash dividend yield (Note 3)		0.03	0.02(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: The distributable earnings in 2018 was approved by the Board of Directors on March 29, 2019. After special reserve was set aside, no earnings remained to be distributed. The distribution of capital reserve totaling NT\$413,341 thousand in cash is proposed to be resolved in the 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 distribution of earnings in 2018 was approved by the Board of Directors on March 29, 2019. After legal reserve and special reserve were set aside according to the law, no dividends were to be distributed. For the distribution of earnings in 2018, refer to the following table:

Table of 2018 Earnings Distribution

Unit: NTD

Item	Amount	
	Subtotal	Total
Undistributed earnings at the beginning of the period		4,792,913,314
Minus: Effect of retrospective application and retrospective restatement		(620,464,706)
Undistributed earnings at the beginning of the period after restatement		4,172,448,608
Minus: Changes in undistributed earnings of invested companies (Note 1)	(300,633,414)	
Add: Equity instruments at fair value through other comprehensive income	2,801,400	
Add: Net profit after tax for the year	332,019,300	
Earnings available for distribution		4,206,635,894
Minus: Legal reserve	(33,201,930)	
Special reserve	(4,173,433,964)	
Undistributed earnings at the end of the period		0

Note 1 : Changes in undistributed earnings of investee companies include (1) actuarial gain or loss arising from defined benefit plans, (2) changes in undistributed earnings of invested companies, and (3) changes in shareholding percentage of investee companies.

Note 2 : Employees' compensation of NT\$5.2 million and directors' remuneration of NT\$5 million have been deducted.

(9) 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 2019.

(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' remuneration of NT\$ 5,000,000 and employees' compensation of NT\$ 5,200,000.

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 2018 did not include issuance of the employees' stock dividends.

c.Compensations to be issued to the employees and directors were considered. The calculated earnings per share (EPS) was NT\$ 0.43.

D.Actual issuance of the employees' compensation and the directors' and supervisors' compensation of 2017:

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, 2018. The distribution as below:

a.The distribution for directors' and supervisors' remuneration and employees' compensation were NT\$ 12,000,000 and NT\$17,800,000 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 March 23 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 3,000 shares.

B.On May 11, 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 4,000 shares.

C.On July 18, 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 4,000 shares.

D.On August 14, 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 3,000 shares.

E. On November 14, 2018, the Board Meeting resolved to redeem and cancel the restricted employee stocks for a capital reduction of 2,000 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:

December 31, 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	82,000
Quantity of new restricted equities that were extinguished	109,000(Note1)
Quantity of new restricted equities not yet extinguished	0
Proportion of new restricted equities not yet extinguished as part of total issued and outstanding shares (%)	-
Impact to shareholders' equity	Restricted equities had been extinguished on November 14, 2018, will not significantly affect shareholders' equities.

Note1: Quantity of new restricted equities that were extinguished on November 14, 2018.

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

December 31, 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).

Note 3: Quantity of new restricted equities that were extinguished on November 14, 2018.

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 refer 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.
- Purchase and sale of shoes and accessories.
- Sale and decoration of furniture, cabinets, kitchen utensils, and mattresses.
- 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, annuity insurance, universal insurances, as well as personal and group insurance policies for investment purposes. To properly use the premiums and obtain good returns, the premiums are used for investment for a stable and reasonable rate of returns.

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

- Planning, development, and installation of information system software and hardware.
- Planning and operation of information management systems.
- Analysis and development of automated integration system; production planning, production and technology transfer of products.
- System integration and technical support for the aforementioned services.

C. Proportion of business

Unit: Thousand NT\$

Business Item	2017		2018	
	Business Revenue	Business Revenue Proportion	Business Revenue	Business Revenue Proportion
Retail of Daily Commodities and Food	19,986,356	8.36%	20,568,682	9.13%
Life insurance	213,065,239	89.17%	198,360,766	88.08%
Pharmaceuticals	1,322,173	0.55%	1,993,332	0.89%
Information Services	3,334,649	1.40%	3,343,130	1.48%
Others	1,247,305	0.52%	927,789	0.42%
Total	238,955,722	100%	225,193,699	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.
- Sale and decoration of furniture, cabinets, kitchen utensils, and mattresses.

b. Life insurance

- Personal insurance: Lifetime insurance, pension, pension in foreign currencies, lifetime insurance in foreign currencies, whole life insurance, and whole life insurance in foreign currencies, etc.
- Personal health insurance: Hospitalization and medical care insurance, cancer insurance, long-term care lifetime insurance, disability care lifetime health insurance, and whole life medical and healthcare insurance, etc.
- 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
Haokangtai Cancer Lifetime Health Insurance Rider HKCR	Launched on January 1	-	Q1 2019	Whether the product structure is competitive
Xiangankang Anti-cancer Insurance SAC	Launched on January 1	-	Q1 2019	Whether the product structure is competitive
Xinbian Anti-Cancer Health Insurance XAC	Launched on January 1	-	Q1 2019	Whether the product structure is competitive
Zenganxin Specific Disability Lifetime Health Insurance Rider (JSDR)	Launched on January 1	-	Q1 2019	Whether the product structure is competitive
Manduoli USD Interest-sensitive Lifetime Insurance (MDL)	Launched on January 29	-	Q1 2019	Whether the product structure is competitive
Giduoli USD Interest-sensitive Lifetime Insurance (GDZ)	Launched on January 29	-	Q1 2019	Whether the product structure is competitive
Chaouoli USD Interest-sensitive Lifetime Insurance (SDZ)	Launched on January 29	-	Q1 2019	Whether the product structure is competitive
Shijidali Serial Product	R&D personnel have started developing the product.	Around NT\$0.5 million	Q1 2019	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

With more than 30 years of experience in financial system software and custom design, the Company provides the best products and solutions for financial customers. To meet customers' targets of rightsizing and cost-saving by integrating their services, the Company continued to develop radio broadcasting system, radio

emergency intercom system, passenger information system, PDA mobile phone, and inbound train broadcasting system.

With high-end hardware and software integration technology, the Company marketed products and services in new type of "smart" fields, allowing consumers to enjoy high-tech experience and Internet connections. Store information is available on smartphones to drive off-line consumption. By integrating the technology and value chain, the Company provided stores a full range of solutions, including hardware and software integration, platform and equipment maintenance, content planning, and advertising. Business models were also developed based on the needs of stores, such as BOT, where stores could receive rentals without spending money, or OT, where stores put up capital to receive additional share of advertising. With this business model, more mid- and large-sized retail stores would be eager to adopt the smart business solutions the Company provided.

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 in Taiwan's industrial structure. According to the statistics published by the Department of Statistics, M.O.E.A. in October 2018, retail stores accounted for 92.0%, e-commerce platforms accounted for 5.7%, and direct sale accounted for 1.0%. Compared with the statistics in 2017, sales of e-commerce platforms increased by 0.4% in 2018. Consumers mainly paid in cash, followed by credit cards. The main products of department stores were garments and accessories, while food and beverage services increased rapidly; convenience stores mainly sold beverages, tobacco, and alcohol. Most of the food and beverage (F&B) retail businesses plan to open stores in areas around department stores (65.5%), followed by business districts (63.1%). With the increasing popularity of the Internet, nearly 66% of the food retail businesses are using online social media or LINE.

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. With an increasing awareness of food safety and the introduction of foreign chain restaurants to Taiwan, the fierce competition in the eating out market has led to an increasingly severe F&B industry. Among all of the operating difficulties, the ratio of "ever-changing consumer demand" increased the most from the previous year.

b. Life insurance

Facing the low birth rate and aging society, families have been unable to take care of the elderly independently. This is the reason why the government has been actively investing more resources in the past two decades to formulate social

insurance, benefits and policies related to the elderly. The National Health Insurance since 1995, the Labor Pension Act since 2005, and National Pension Insurance since 2008 are social insurance systems that respond to the longevity of nationals in Taiwan. As there is still room for improvement in social care, people have become more dependent on insurance, such as annuity insurance, medical insurance, and long-term care insurance. When planning for retirement, nationals focus more on insurances providing life protection and care than death insurance. According to the latest statistics published by Taiwan Insurance Institute and the Life Insurance Association, the domestic insurance coverage rate showed an upward trend of year by year. On average, each national person holds two life insurance or annuity insurance policies. It is worth noting that the penetration rate seems to have slowed down in recent years. The challenge for insurance companies is how to make the general public understand the true meaning and importance of insurance, and develop insurance products that meet the needs of policyholders, so as to continuously expand the insurance market.

Statistics from the Taiwan Insurance Institute (for details, refer to the table below) showed positive growth in total premium income in every year from 2009 to 2018 with the exception of the 2011, which was hit by a double-dip recession and the European sovereign debt crisis, resulting in a 4.96% reduction of premium income when compared to that of 2010. In general, the life insurance sector in Taiwan has exhibited stable growth.

Statistics on Premium Income in Taiwan

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Premium Income (NT\$100 million)	20,066	23,128	21,982	24,784	25,835	27,711	29,267	31,334	34,202	35,116
Growth Rate (%)	4.58	15.26	(4.96)	12.75	4.24	7.26	5.61	7.06	9.16	2.67

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 BMI showed that the scale of the global pharmaceutical market reached US\$1.2 trillion in 2017, showing an increase of 5.9% compared to 2016; the compound annual growth rate from 2013 to 2017 reached 2.7%. The sales of brand drugs accounted for 61.5%, including small molecule brand drugs and brand biopharmaceuticals; the sales of generic drugs accounted for 27.1%, including small molecule drugs; the sales of OTC drugs accounted for 11.4%. The BMI also estimated that the scale of the global pharmaceutical market would reach US\$1.5 trillion in 2022, with the growth rate of the Asia-Pacific region much higher than that of developed markets in North America and Europe. The Asia-Pacific area

accounted for 25.3% and 28.2% of the global pharmaceutical market in 2013 and 2017, respectively, showing that it will be the main growth driver 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 continue to grow.

According to the statistics conducted by Hoovers Research, the global sales of APIs in 2017 reached US\$135 billion, showing a decline of 1.5% compared with 2016. With higher prices, brand drugs accounted for 65.2%, generic drugs accounted for 26.4%, and OTC drugs accounted for 8.4%. The percentage of outsourced production of APIs increased from 28.2% in 2013 to 32.5% in 2017, while the percentage of self-produced for self use APIs decreased from 71.8% in 2013 to 67.5% in 2017. The percentage of outsourced production of APIs is expected to grow in the future. By product category, small molecule chemical compounds accounted for 78.3% with the sales of US\$105.71 billion, followed by biopharmaceuticals (21.7%). New biopharmaceuticals have been launched in recent years. The annual growth rate of APIs for biopharmaceuticals was relatively high at 8.0%, while the annual growth rate of the APIs for chemical pharmaceuticals was 5.0%. Although the growth of the API market was reduced by the increase in costs and control over prices this year, the API market will grow with the launch of new drugs, especially the approval and need of biopharmaceuticals in the future. It is estimated that the global sales of APIs will reach US\$176 billion in 2022, with the compound annual growth rate reaching 5.4% from 2017 to 2022. In the future, the main API markets will still be the U.S., China, and India.

According to the IQVIA, the scale of the pharmaceutical market in Taiwan reached NT\$173.54 billion in 2017, representing a growth of 3.3% compared to the previous year. The output value of the pharmaceutical industry in Taiwan reached NT\$68.16 billion in 2017. APIs, Western medicine preparations, biopharmaceuticals, and Chinese medicine preparations accounted for NT\$13.87 billion, NT\$44.89 billion, NT\$1.45 billion, and NT\$7.95 billion, respectively. The total output value in 2017 was similar to that in 2016; however, the output value of APIs was reduced by 14.2% compared with that in 2016 mainly due to the increase in review fees and annual fees, shortage of raw materials and the increase in prices caused by shutdown in China, more stringent GMP on-site audits conducted by the U.S. and the EU, increasing wastewater treatment costs in Taiwan, and stationary prices of APIs, resulting in production reduction or discontinuity.

Output Value of the Pharmaceutical Industry in Taiwan

Unit: NT\$100 million; %

Year Item	2013	2014	2015	2016	2017	
	Output Value	Growth Rate (%)				
APIs	182.4	157.2	166.3	161.7	138.7	-14.2
Western Medicine Preparations	361.9	371.6	396.9	426.7	448.9	5.2
Biopharmaceuticals	8.9	11.8	9.8	11.4	14.5	27.6
Chinese Medicine Preparations	71.6	76.8	76.8	77.3	79.5	2.8
Total	624.8	617.4	649.8	677.1	681.6	0.7

Source: Department of Statistics, M.O.E.A.; IT IS Team under Industrial Information Department, DCB (June 2018)

Note: Due to the reclassification of sectors, the output value every year was retrospectively adjusted.

In 2017, the total import and export of the pharmaceutical industry in Taiwan reached NT\$105.07 billion and NT\$16.08 billion, showing a growth of 10.6% and a decline of 7.2% from 2016, respectively. The import of APIs amounted to NT\$6.6 billion, a growth of 6.3% from 2016; the export of APIs amounted to NT\$4.24 billion, a decline of 15.0% from 2016, due to the appreciation of NTD, increase in review fees, low price competition, customer inventory adjustment, and mergers of the supply chain in the U.S.

Import/Export Value of the Pharmaceutical Industry in Taiwan

Unit: NT\$100 million; %

Year Item	Import Value					2017 Growth Rate (%)
	2013	2014	2015	2016	2017	
APIs	55.0	54.5	65.0	62.1	66.0	6.3
Western Medicine Preparations	625.5	640.5	703.2	731.0	744.6	1.9
Biopharmaceuticals	109.1	112.9	132.1	156.3	239.6	53.2
Chinese Medicine Preparations	0.5	0.5	0.7	0.5	0.5	-5.1
Total	790.1	808.4	901.0	949.8	1,050.7	10.6

Year Item	Export Value					2017 Growth Rate (%)
	2013	2014	2015	2016	2017	
APIs	42.0	36.8	42.0	49.9	42.4	-15.0
Western Medicine Preparations	96.7	98.9	110.7	113.0	104.8	-7.3
Biopharmaceuticals	3.5	3.1	2.3	3.3	5.2	57.5
Chinese Medicine Preparations	5.4	6.2	7.1	7.0	8.4	20.0
Total	147.6	145.0	162.1	173.2	160.8	-7.2

Source: Import and Export Trade Statistics, Customs Administration, Ministry of Finance; IT IS Team under Industrial Information Department, DCB

Note: To calculate the import/export value of APIs, six types of the tax code number of APIs are used.

The scope of the biotechnology industry in Taiwan mainly covers the pharmaceutical industry, the medical device industry, and the applied

biotechnology industry.

The continuous development of new products and international markets has increased the export and scale of the biotech industry.

In 2017, the turnover of the biotech industry reached NT\$325 billion, a growth of 3.2% from 2016 (NT\$315 billion). Due to the decline in export, the pharmaceutical industry showed limited growth.

The investment in the biotech industry amounted to NT\$52.616 billion in 2017, a growth of 3.3% from 2016 (NT\$50.935 billion); a total of 33 investment projects in the pharmaceutical industry were made in 2017, totaling NT\$22.891 billion, a growth of 17.1% from 2016 (NT\$19.549 billion). This shows an optimistic outlook for the pharmaceutical industry.

The government has step by step 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. By 2025, it is expected that at least 20 new drugs and at least 80 high-value medical devices will be launched overseas, along with at least 10 flagship health service brands, to drive the annual growth rate of domestic drugs, medical devices, and health service products 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.

According to the mobile payment consumer survey released by the Market Intelligence & Consulting Institute (MIC) in the first half of 2017, 60% of the consumers paid in cash, showing that cash remained the most commonly used payment tool by the general public. In the process of cash payments, change was inevitable, resulting in the need of change deposits or conversion into banknotes. In response to this need, the Company launched change ATMs which automatically calculated and deposited coins received from consumers and small enterprises to reduce costs of small enterprises and banks. In 2017, the Financial Supervisory Commission approved the establishment of change ATMs, and many banks were highly interested in launching change ATM. The future business opportunity is expected to be unlimited.

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 2018, the total premium income was NT\$3,296.3 billion, showing a growth of 2.7%. The first yearly premium income increased by 10.6%. The premium income of traditional insurance products remained higher than that of investment-linked insurance products. The first-year premium income of investment-based insurance products was NT\$295 billion, accounting for 25.2% of the total first-year premium income

Two highlights are described below:

① Traditional insurance products:

In 2018, the first-year premium income of traditional life insurance products increased by 5.4% YOY. The first-year premium income of traditional annuity insurance products was reduced by 30.9%. Overall, the first-year premium income of traditional insurance products in 2018 increased by 1.8% YOY.

② Investment-linked insurance products:

In 2018, the first-year premium income of investment-linked life insurance products increased by 27.%. The first-year premium income of investment-based annuity insurance products increased 268.6%. Overall, the first yearly premium income of investment-linked insurance products in 2018 increased by 48.8%.

(b) Development trend of channels

① Sales representatives

The recent developments in various sales channels, such as intersectional alliances and cross marketing within the Group, 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, in 2018 the Company released

various financial subsidies as well as a series of image advertisements targeting the younger generation. The life insurance business is currently recruiting new members to effectively improve performance.

② Banks

Rapidly growing premium income from banking channels could be primarily attributed to the impact caused by the financial crisis. Public attitude toward investments became increasingly conservative. In view of this, banks launched short-term insurance policies with relatively low risk, such as pension insurance and savings insurance, interest-sensitive products, investment-linked products, and mortgage life insurance. The public also demonstrated increasing acceptance for insurance products and proactively inquired into related insurance products with banks. Therefore, it is easier to sell insurance products through bank clerks. Products marketed through banks were no longer restricted to investment or financial products. This made sales channels through banks a lot more flexible while allowing insurance companies to market products that benefit financial structures more, providing improvements to consumers, banks, and insurance companies alike. As the insurance market continues to mature and as we enter an aging society, more post-retirement plans and products as well as long-term care insurance will be released. Advantages of both banks and insurance companies shall be leveraged to attract an increasing number of clients.

(c) Competitive situations

In recent years, domestic interest rates remained at low level, 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. Due to the extended lifespans of many fellow citizens and greater attention placed upon health and medical care, key products that customers wish to acquire include life-long medical insurance, cancer insurance, disability support insurance, and long-term care insurance. The Company also designed competitive disability support insurance and hospitalization health insurance based on these situations to cater to the customer's requirements and bring about business growth for the Company.

Statistics from the Life Insurance Association R.O.C. showed that the Company had market share of 4.46% in terms of total premium income in 2018, ranking No.7 among 22 life insurance companies in Taiwan.

c. Pharmaceuticals

Overall demand for pharmaceuticals and medicines are intimately connected to the growth of population. Historical data demonstrated the stable development of sales that is less affected by the macro-economic environment. Medical and healthcare expenses have grown together with national income following rapid development of emerging economies. This had driven increased demand which helped sustain the growth of the global pharmaceutical market. In 2017, the sales of the global pharmaceutical market reached US\$1.2 trillion, a growth of 5.9% from 2016; the compound annual growth rate was 2.7% from 2013 to 2017. In 2022, the scale of the global pharmaceutical market is expected to reach US\$1.5 trillion.

By 2022, the global pharmaceutical market will reach a value of US\$1.5 trillion, of

which generic drugs will comprise 60% to 70%. The market value of generic drugs grows every year mainly due to the annual expiration of brand drugs and the reduction in medical costs.

Mergers and acquisitions (M&A) have become an important way for major pharmaceutical companies to complement R&D lines and tap into new fields in recent years. Shortly after the beginning of 2019, three large M&As took place in the biotech industry reached US\$100 billion in value, which is far above the level in the past decade. The M&A boom is expected to flourish the health care 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

The replacement of old automated machines and the introduction of new functions have created the business opportunity for automated machines for financial services. The Company has recently provided active distribution service for the latest cash recycling ATM SR 7500 manufactured by the Japanese company Hitachi-Omron. Featuring low power consumption, large capacity, and troubleshooting guidance, SR 7500 allows bank tellers to find and solve problems easily and quickly and shortens downtime. Over 2,000 units of SR 7500 have been sold. Together with the sales of CZ-5000T, the Company has sold over 4,000 ATMs, gradually improving its market share of cash recycling ATMs. To introduce products with differentiating advantages, the Company also actively introduced deposit machines that could connect logistics, department stores, or franchises with banks to settle the daily account in their stores and deposit revenue in cash immediately. Cash was in the custody of the security personnel. This deposit machine was the only model in the market to take both coins and banknotes, and could help customers 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), a type of video-based remote banking services. Through the specific VTM, customers could contact bank tellers in the customer service center to complete particular transactions using the audio, video, and user interface.

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

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

efficient cash management and deployment.

Finger Vein ATM identifies finger veins instead of traditional ATM card identification. Customers could withdraw money by placing the finger on the reader and entering the password. Card-free RATMs that use the finger-vein authentication have been highly recognized in the market, and many banks have launched RATMs, showing unlimited 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 focused mainly on finance, transportation, telecommunications, education, and firefighting. To provide better services for customers, the concepts of Major Account and Total Solution were introduced to analyze the business strategies and potential dealings of customers and market competitiveness. The Account Manager provided Integrated Service to build experience, achieve better understanding of target customers and their business activities, and identify subcontracting opportunities for IT projects. These measures also allowed the Company to avoid unfamiliar projects from unfamiliar clients as well as any hidden risks. The global competition is increasingly intense. Enterprises are taking measures to improve their business development capabilities, and expect to adopt new IT trends and business lines based on the increasing demand for information subcontracting services. As companies pursue greater degrees of specialization, professional subcontracting services will continue to enhance business processes and provide added value while cloud computing facilitate process subcontracting of data centers. IT subcontracting service demands would continue to increase as companies seek to simplify data security management. For computer system integration service providers, “Product Mobility”, “Cloud Computing” and “Big Data Analytics” have become the future trends. As the volume of information continues to increase, information security is also an important issue in the future. Only companies capable of gaining an understanding of market dynamics and enhancing their own professionalism could respond to the overall environment and initiate corresponding development.

The traditional business model has been unable to respond to diverse application scenarios and rapidly changing industry demand. Digital transformation has become the urgent priority in the industry. Enterprises must create new opportunities to respond to the rapidly changing market conditions. With the corporate expansion and rapid development of digital economy, traditional and passive management by phone and paper is no longer sufficient to support the need to save corporate data and manage employees, customers, and information. Cloud computing allows simultaneous sharing of information within the organization. As the field personnel play a key role in end-user sales and after-sales service, the Company initiated ServiceJDC, a type of mobile cloud service designed for the field personnel, from staffing, management, to analysis, to help enterprises transform their business model and grasp new opportunities for digital management. As a type of integrated cloud service designed for the field personnel, ServiceJDC allows small and medium

enterprises to manage the field personnel in an cost-effective way. The traditional business model has been unable to respond to diverse application scenarios and rapidly changing industry demand. Digital transformation has become the urgent priority in the industry. Enterprises must create new opportunities to respond to the rapidly changing market conditions. With the corporate expansion and rapid development of digital economy, traditional and passive management by phone and paper is no longer sufficient to support the need to save corporate data and manage employees, customers, and information. Cloud computing allows simultaneous sharing of information within the organization. As the field personnel play a key role in end-user sales and after-sales service, the Company initiated ServiceJDC, a type of mobile cloud service designed for the field personnel, from staffing, management, to analysis, to help enterprises transform their business model and grasp new opportunities for digital management. As a type of integrated cloud service designed for the field personnel, ServiceJDC allows small and medium enterprises to manage the field personnel in an cost-effective and user-friendly way. ServiceJDC was awarded Young Fun in 2017 Young Generation Award by the Industrial Development Bureau, M.O.E.A.

(c) Repairs and maintenance

Many automated equipment or systems in the market have been used for many years. Regular maintenance and repair is a prerequisite for the normal and stable operation of automated equipment. Increasing reliance on automated equipment also means growing dependence on maintenance and repair services. The market for such services will only increase as customers in various industries, such as finance, transportation, and telecommunications, pursue a greater degree of automation. The Company strives to control the service lifecycle of customers' products by providing consultancy services for equipment replacement and building long-term partnerships. The understanding of automated equipment and systems and their structure, the supply of spare parts, and the quality and staffing of the maintenance personnel are the factors in the quality of maintenance and repair services. Therefore, a large part of maintenance and repair services for equipment and systems depends on equipment providers or installers, so competition is relatively low. The Company has over 40 years of experience in maintenance and repair services and established 15 service stations nationwide (including Kinmen and Penghu). The comprehensive repair and maintenance network is capable of providing prompt services for customers 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

Category	Unit: Thousand NT\$	
	Year	As of March 31, 2019
Retail of Daily Commodities and Food	2018 3,275	1,100
Life Insurance	26,425	8,223
Pharmaceuticals	36,851	9,749
Information Services	143,478	32,357
Total	210,029	51,429

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

The business does not establish the research and development department. From the perspective of consumers, the Company continued to provide better services with various advanced technologies and improve market competitiveness and value.

In 2018, an e-commerce platform, Go Simple Mark, was launched to offer a full range of products that may be unavailable in Simple Mart, so as to improve the accessibility of service. The food retail business launched a mobile payment platform, JKOS, and the online ordering system and introduced the GPS cold chain monitoring system to central kitchen vehicles.

b. Life insurance

The Product Development Department is in charge of research and design of products. The Product Development Department consists of Product Development Section I, Product Development Section II, Product Development Section III, and Investment Product Section. Product Development Section I, Product Development Section II, and Product Development Section III are in charge of traditional life insurance, interest-sensitive annuity insurance, health insurance, accident insurance, and group insurance; Investment Product Section is in charge of investment-based life insurance and investment-linked annuity insurance. Each section is responsible to conduct market research and survey and develop products, and manage products before and after sale.

As of December 31, 2018, the Product Development Department had 26 employees (including the head of the department), accounting for 1.6% of total office workers, including 24 masters; 2 employees were Fellows of Society of Actuaries (FSA), and 3 employees were Associates of Society of Actuaries (ASA). A total of 8 employees had less than 2 years of work experience, 4 employees had 2~5 years of work experience, 4 employees had 5~8 years of work experience, and 10 employees had more than 8 years of work experience.

The successfully developed products are as follows:

Year	Name of Insurance
2018	MLI Shijianwen Variable Annuity Insurance with Foreign Currency (AUFVA)
	MLI Shijianwen Variable Annuity Insurance (AUVA)
	MLI Xinliduo USD Interest-sensitive Lifetime Life Insurance (CDL)
	MLI Kaliduo USD Interest-sensitive Whole Life Insurance (CDZ)
	MLI Chaojili USD Interest-sensitive Whole Life Insurance (CGL)
	MLI Goodduoli Interest-sensitive Whole Life Insurance (GDWL)
	MLI Jinxiangfu Small-amount Whole Life Insurance (GWL)
	MLI Changching Hospitalization Health Insurance Rider (HSCR)
	MLI Haoyang Surgery Lifetime Health Insurance (HYSI)
	MLI Online Accident Medical Insurance Rider
	MLI Online Motorcyclist Accident Insurance
	MLI Youlishidai Variable Annuity Insurance with Foreign Currency (IFVA)
	MLI Youlishidai Variable Universal Life Insurance with Foreign Currency (IFVUL)
	MLI Women Lifetime Insurance (108)
	MLI Kaiduoli Interest-sensitive Whole life Insurance (CDL)
	MLI Xiangpingan Whole Life Insurance (PWL)
	MLI Xinmeifu USD Interest-sensitive Whole Life Insurance (SMF)
	MLI Shijifengfu Variable Annuity Insurance with Foreign Currency
	MLI Shijifengfu Variable Life Insurance with Foreign Currency (TVL)
	MLI Shijifengfu Variable Annuity Insurance (TVA)
	MLI Shijifengfu Variable Life Insurance (TVL01)
	MLI Zenghuizuan USD Interest-sensitive Lifetime Insurance (XHZ)
	MLI Yangjiankang Lifetime Health Insurance (YHIW)
	MLI Zhengjiankang Hospitalization Health Insurance Rider (ZHSR)
	MLI Shijiwenjian Variable Annuity Insurance with Foreign Currency (for Employees) (UGFVA)
	MLI Shijiwenjian Variable Annuity Insurance (for Employees) (UGVA)
As of February 28, 2019	MLI Jiduoli USD Interest-sensitive Lifetime Insurance (GDZ)
	MLI Haokangtai Anti-cancer Lifetime Health Insurance Rider (HKCR)
	MLI Zenganxin Specific Disability Lifetime Health Insurance Rider (JSDR)
	MLI Manduoli USD Interest-sensitive Lifetime Insurance (MDL)
	MLI Xiangankang Anti-cancer Insurance (SAC)
	MLI Chaoduoli USD Interest-sensitive Lifetime Insurance (SDZ)
	MLI Xinankang Anti-cancer Health Insurance (XAC)

c. Pharmaceuticals

A. Research and development

The Research and Development Department is in charge of product development and process improvement; every year, new R&D employees are recruited to improve the capacity for R&D and accelerate R&D to meet the need of customers and business development;

In 2018, the R&D expenses increased by 11.37% from the previous year. SCI Pharmtech, Inc. continued to apply for patents on processes. With excellent international customer relationships, SCI Pharmtech, Inc. had unflinching R&D projects and was highly likely to commercialize them. The excellent capacity for R&D has contributed to the growing business in recent years. Newly developed products include CBD intermediate, anti-cancer drugs, and APIs for Alzheimer's disease.

B. R&D goals

- ① Establish self-developed technologies to create entry barriers and enhance competitiveness.

Self-developed technologies mostly take a form of trade secrets. Considering business strategies, SCI Pharmtech, Inc. applies for patents on some technologies. Existing patents are as follows:

Patent No.	Country
US 7,829,731 B2	USA
2228372	Europe
US 8,148,549 B2	USA
US 8,168,805 B2	USA
US 8,273,917 B2	USA
US 8,299,305 B2	USA
License No. 5143167	Japan
US 8,420,832 B2	USA
US 8,729,300 B2	USA
US 8,530,674 B2	USA
US 8,614,336 B2	USA
2386549	Europe
US 8,957,227 B2	USA
License No. 5830245	Japan
US 9,718,765 B1	USA

- ② Respond to customers' questions and provide effective solutions quickly.
- ③ Seek for R&D projects with potential and commercialize them efficiently.

C. R&D strategies

- ① Recruit experienced R&D personnel to improve the capacity for R&D.
- ② Seek for complementary partners to expand the R&D fields and strengthen cooperation.
- ③ Cooperation with the new drug development companies to enter the development of pharmaceutical products in their early stage.

D. Key R&D projects

- ① Develop the manufacturing processes and technologies of niche products.
- ② Expand and commercialize manufacturing processes of new drugs under R&D.

E. Products successfully developed in the most recent year up to the date of publication of the Annual Report

Trial Production of New Product	Commercialized Mass Production of New Product	Improvement in Production Process
SCI-473	Olivetol PMDOL	Olivetol PMDOL

d. Information services

The System R&D Department focuses on users' need during software development and continues to review market trends to determine the directions of future development. The completed systems are as follows:

A. Automated financial services

- ※ Digital filling system
- ※ Smart branch teller system
- ※ Withdrawal and applications of RATMs
- ※ Mobile APP for cardless withdrawal

B. System integration

- ※ Mobile insurance solution for life insurance industry
- ※ Cloud field system - ServiceJDC
- ※ New generation digital display board
- ※ P25 digital radio system for the police
- ※ Coast radar system for Coast Guard Administration
- ※ Terrestrial Trunked Radio (TETRA)
- ※ Electronic navigation chart production and system integration
- ※ National Communications Commission - New generation radio wave monitoring 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-how from existing franchises to develop new business models and enter new markets.

B. Life insurance

a. Short-term plans

The Company achieves in-depth understanding of the needs and characteristics of various demographics and provides the most comprehensive policy available. In addition to enhancing marketing efforts toward targeted demographics for specified products and maintain stable profits, the Company will also actively develop new products and expand business opportunities for new target demographics. The Company plans to launch competitive savings-linked products to maintain market share; foreign currency products are also offered, such as USD whole life insurance and USD lifetime endowment insurance, to reduce exchange rate risk. In terms of investment-linked products, the Company plans to increase the scale of separate accounts and profitability and offer discretionary investment insurance, installment investment-linked insurance, value-added variable annuity insurance, and one-year rider to investment-linked products. Products specific to young people are also

planned, such as hospitalization lifetime health insurance (daily benefit) and surgery lifetime health insurance. In the future, the Company will launch installment investment-linked products and discretionary investment insurance to improve profitability; in addition, the Company will continue to develop the one-year rider to investment-linked products to enhance the investment-linked portfolio. In terms of traditional products, the Company will continuously develop customer-oriented products and provide complete and diversified medical insurance and products specific to different groups to avoid price competition; retirement products will also be developed to meet the needs of customers; in addition, interest-sensitive products with foreign currency are also developed to reduce exchange rate risk and interest rate risk

b. Long-term plans

In response to government policies and market needs, the Company will continue to develop new products, including foreign currency policies, accident insurance, medical insurance, and investment-linked insurance/annuity insurance, and promote products with strategic value or high contribution; in addition, the Company will employ 3 primary sales channels, namely sales representatives, banks, and diverse marketing, to improve the competitiveness and performance of marketing channels when pursuing the business objective of steady and sustainable growth. As cloud technology becomes more prevalent, the Company will actively develop digital and cloud-based services 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 scope of business includes the sale of daily commodities, food, shoes, alcohols, tobacco, catering, furniture, and kitchenware.

Sales Performance (by Region) in 2018

Unit: Thousand NT\$

Region	Retail of Daily Commodities and Food	Percentage
Taipei, Keelung, Yilan, and Hualien	10,400,931	50.57%
Taoyuan, Hsinchu, and Miaoli	3,531,368	17.17%
Taichung, Changhua, and Nantou	3,065,681	14.90%
Yunlin, Chiayi, and Tainan	1,373,563	6.68%
Kaoshiung and Pingtung	1,861,767	9.05%
Overseas and Mainland China Areas	25,161	0.12%
Subtotal	20,258,471	
Other Income	310,211	1.51%
Total	20,568,682	100.00%

b. Life insurance

A total of 8 branch offices, namely Taipei, Taichung, Taichung City Hall, Chiayi, Tainan, Kaohsiung, Kaohsiung Zhongzhen, and International Insurance, and 296 service offices have been established across the country. MLI continued to reinforce its service in Taiwan and deployed its resources to expand markets for annuity and pension insurance in Mainland China and overseas areas. MLI has employed a highly professional and productive business team and an excellent administration team to keep providing a full range of products and services, generating long-term value for the policyholders, shareholders, and employees, and contributing to society and national development.

The sales team is MLI's most valuable asset. As of December 2018, MLI had 14,618 sales representatives, ranking No. 5 in the industry. Service areas cover 6 regions across Taiwan, namely Taipei, Taoyuan and Hsinchu, Taichung, Chiayi, Tainan, and Kaohsiung. The sales team shared information and focused on teamwork 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		2018		2019Q1	
		Sales	(%)	Sales	(%)	Sales	(%)
Export	Europe	547,392	42.07	791,522	40.80	364,845	60.44
	Americas	276,937	21.29	605,381	31.21	81,154	13.44
	Asia	277,972	21.36	289,858	14.94	105,035	17.40
	Others	13,861	1.07	39,296	2.03	4,955	0.82
	Subtotal	1,116,162	85.79	1,726,057	88.98	555,989	92.1
Domestic Sales		184,888	14.21	213,856	11.02	47,698	7.9
Total		1,301,050	100.00	1,939,913	100.00	603,687	100.00

d. Information services

The product sales in the 3 most recent years were primarily achieved in the domestic market. In 2018, domestic sales revenue accounted for 98.82% of total operating revenue, while export revenue, largely from Mainland China and Southeast Asia. If sales regions were defined using product categories, then sales and services of automated financial services and system integration would be scattered throughout the entire country. Major clients include banks, government agencies, public and private enterprises throughout the country, and other sales systems.

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\$337.5 billion, NT\$291.5 billion, and NT\$473.1 billion respectively in 2018. In 2018, the Company's revenue from daily commodities and food retail in Taiwan amounted to NT\$16.1 billion and NT\$4.4 billion respectively, which accounted for 2.56% and 0.93% 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 22 insurance companies in Taiwan in 2018, the following lists premium income and market share of major competitors of MLI:

Premium Income and Market Share of Local Insurance Companies in 2018

Unit: NT\$100 Million

	Company Name	2018			Company Name	2018	
		Amount	%			Amount	%
1	Cathay Life Insurance(Note1)	6,807	19.38	15	PCA Life Assurance(Note3)	387	0.88
2	Fubon Life Insurance(Note2)	5,430	15.46	16	Chubb Life Insurance(Note10)	297	0.79
3	Nanshan Life Insurance(Note9)	5,011	14.27	17	Hontai Life	244	0.70
4	Shin Kong Life Insurance	3,071	8.74	18	BNP Paribas Cardif TCB Life(Note6)	231	0.62
5	China Life Insurance Company(Note3)	3,018	8.60	19	First-Life Insurance(Note8)	183	0.46
6	Taiwan Life Insurance(Note11)	2,957	8.42	20	Prudential	155	0.34
7	Mercuries Life Insurance	1,567	4.46	21	Cigna Taiwan	106	0.30
8	Chunghwa Post	1,337	3.81	22	AIA Group Insurance	83	0.23
9	Allianz(Note4)	981	2.79				
10	TransGlobe Life Insurance(Note5)	966	2.75				
11	BNP Paribas Cardif	767	2.18	25			
12	Farglory Life	636	1.81	26			
13	BankTaiwan Life Insurance	461	1.31	27			
14	Yuanta Life(Note7)	423	1.20	28			

Source: TII quick report on premium income

Note1 : Global Life and Singfor Life merged with Cathay Life Insurance in July 2015.

Note2 : ING merged with Fubon Life Insurance in June 2009.

Note3 : With the exception of bank and telemarketing channels, PCA Life Assurance transferred all businesses to China Life Insurance Company in February 2009.

Note4 : HSBC Life Insurance merged with Allianz in June 2013.

Note5 : Guohua Life Insurance merged with TransGlobe Life Insurance in April 2013.

Note6 : BNP Paribas Cardif TCB Life was a joint venture between Taiwan Cooperative Bank and BNP Paribas Group that was approved and established in December 2009.

Note7 : New York Life Insurance changed its name to Yuanta Life in February 2014.

Note8 : First Aviva changed its name to First-Life Insurance in October 2009.

Note9 : Chaoyang Life merged with Nanshan Life Insurance in May 2017.

Note10 : ACE Life changed its name to CHUBB in September 2016.

Note11 : CTBC Life Insurance and Taiwan Life Insurance merged in January 2016 to form Taiwan Life Insurance.

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 29,600 ATMs in Taiwan. ATMs provided by MDS account for 45.56%, 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 maturity stage. 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 enlarge the dining-out population, providing a huge business opportunity for the eating out market. Customers of fast food franchises are primarily office workers. Chinese and Western-style fast food companies include McDonald's, KFC, Pizza Hut, Mos BURGER, Yoshinoya, and Formosa Chang. In recent years, major competitors have been exotic restaurants, such as Japanese ramen, Japanese pork chops, Vietnamese cuisine, and Thai cuisine. Convenience stores, such as 7-11 and FamilyMart, have also become competitors as these stores began introducing fresh food products and providing seats and tables for customers dining-in.

b. Life insurance

Year	2014	2015	2016	2017	2018
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 demand 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. The compound annual growth rate is estimated at 4.5% from 2017 to 2022, and the scale of the global pharmaceutical market is estimated to reach US\$1.5 trillion in 2022. Currently, the biggest market remains North America. APIs are active chemical components with pharmacological action, and the chemical structure must conform to the pharmacopoeia. Pharmaceuticals are basically composed of APIs and excipients. In the past, the compound average growth rate was about 10.0% of the pharmaceutical market. In 2017, the global sales reached US\$135 billion. In 2022, it is estimated to reach US\$176 billion. Operational strategies for this year as well as short-term and mid-term business plans of SCI Pharmtech 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

The development of stores is one of the keys to business success. All stores are rented, or set up within various market place, so the operating costs are lower. With years of experience and technology, the Company has evaluated and planned shopping districts, market survey, employee training, and target markets in detail to target consumers, achieve outstanding performance, and secure market presence. The increasing number of stores also strengthens bargaining power to provide customers inexpensive products and cheerful services.

(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

With the outstanding sales team and administration team, MLI is committed to offering a full range of products and services, creating long-lasting value for policyholders, shareholders, and employees, and contributing to society and national development. Continuous improvement is the basic spirit of MLI. In the 20th Faith, Hope & Love Awards of Insurance held in 2018, MLI won

the Best Professional Insurer Award, the Best Social Responsibility Award, the Best Insurance Education Contribution Award, the Best Channel Strategy Award, the Best Integrated Communication Award, the Best Product Creativity Award, the Best Professional Consultant Award - Life Insurance (Field) Service, and the Best Insurance Achievement Award. MLI was also awarded the Best Brand Image Award by the Excellence Magazine in the best insurance rating in 2018. MLI has been selected the Best Insurance Company for Graduates - Office (Field) Service for six consecutive years from 2013 to 2018, 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\$36.6 billion in 2018; the total premium income was NT\$156.7 billion; available funds were NT\$1,053.7 billion, and total assets totaled NT\$1,143.8 billion, being ranked among the best new life insurance companies.

③ Complete product lines for customers' complete protection

MLI continued to offer a full range of insurance products and services to customers. In 2013, the industry's first RMB whole life insurance was launched. From 2007 to 2011 and from 2014 to 2018, MLI won the Best Product Creativity Award in Faith, Hope & Love Awards of Insurance. From 2015 to 2017, MLI's products were selected by Smart Monthly and RMIM Inc., showing that our creative thinking and insurance products have been in line with the market needs.

(b) Positive factors for development vision

①Diversified marketing channels expand both the quantity and quality of customer exposure interfaces for life insurance products.

②Loosen restrictions for capital utilization among life insurance companies improve capital utilization rates and competitiveness of the life insurance companies.

③Simplified review processes of insurance companies by the competent authorities will expedite the release of new products.

④Growing demand for medical and healthcare products and services will lead to potentially high demands for medical insurance as well as home care insurance.

⑤Release of new investment-type products will satisfy the requirements of the insured with varying degrees of risk tolerance.

⑥The era of the Internet will lead to increases in digital sales and service requirements.

⑦Issues caused by aging society and low birth rates will continue; the pension market will become a key focus.

(c) Negative factors

①Liberalization of fees has intensified competition among life insurance companies and increased the burden of operational expenses.

②The era of low assumed interest rates and high premiums will lead to increased difficulty in marketing traditional life insurance products.

③Competent 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

① Quality

The quality of products must meet the requirements of health authorities and customers. As the business success and performance depends on the quality of products, the Company has strived to improve the quality management system and obtained ISO9001 verification in 2001. APIs and intermediates are produced based on the GMP standards, and products are reviewed and licensed by the Ministry of Health and Welfare, FDA of the U.S., EDQM in Europe, and health authorities in other countries. In 2018, 26 customers conducted on-site audits and were satisfied with the auditing results. TFDA also conducted the on-site audit in 2018.

② Technology

The Company has laid a solid foundation for establishment of plants, such as API plants. Currently, the plant establishment team is able to add and expand production lines in the most efficient way at any time within the given time limit and cost.

With more than 20 years of experience in production research and development, the Company has established operating technologies, such as alkylation, hydrogenation, condensation, Fridel-Crafts, Chapman, and Dieckmann reaction, and developed dozens of products. The solid foundation for technology is beneficial to the development of future business opportunities.

Based on the business strategy, the Company has applied for patents on some processes. At present, the Company has 15 patents.

③ Cost

The Company developed and modified process technologies to achieve competitive costs. To create competitive advantages, some processes were patented in the U.S. and Europe. With a complete supply chain, the gross margin of products remained at 30% or above, which was considered excellent for a manufacturing-intensive enterprise.

④ Marketing

Products were mainly exported to Europe, the U.S., Japan, India, and Taiwan. Over the past 20 years, the international business network has been established. The Company worked with international drug manufacturers to develop new drugs, which was highly beneficial to the future development of international markets.

(b) 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

To improve the quality of APIs, governments have strengthened control over APIs, such as DMF and GMP implemented in the U.S. and China, respectively, increasing the threshold for API production. Overall, M&A among global API manufacturers will be sped up to eliminate less competitive small and medium manufacturers. In the end, manufacturers with a large scale, competitive prices, and premium quality stay in the market. This is an opportunity for domestic API manufacturers to expand the global market and beneficial to the Company's development in the international API market.

③ Friendly drug review environment of FDA

FDA provides a friendly drug review environment that is beneficial to the development of the medical industry. As the FDA accelerated the review of new drugs, a total of 59 new drugs were approved last year, hitting a record high over the past two decades. According to experience, revenue will reach the peak five years after the new drug is approved. The accelerated review of new drugs will drive the growth of the medical industry, and the market is expected to grow subsequently.

(c) 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 The global API market faced challenges, such as increases in stringent requirements, on-site audits, environmental awareness, production costs, industrial competitiveness, and prices of raw materials, which would cause less competitive small and medium manufacturers to reduce or terminate production.

(d)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.
- ③The Company should sign the API production contracts with new drug developers to increase long-term cooperation in clinical experiments.

d. Information services

(a)Competitive niches and positive factors for development vision

- ①MDS 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.
- ②Banks 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.
- ③To 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.
- ④Customers 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.
- ⑤The 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.
- ⑥Certifications 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.

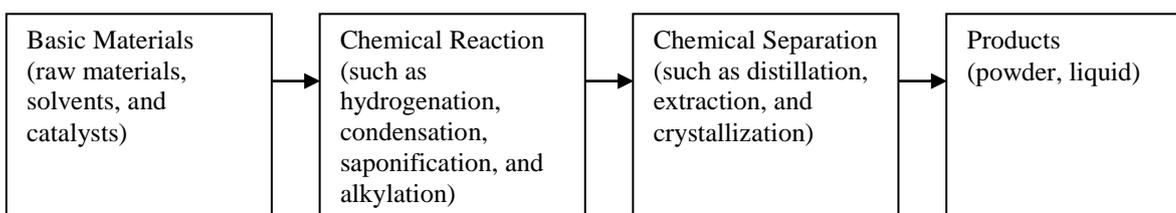
C. Pharmaceuticals

a. Major uses of the primary products:

	Name of Primary Product	Primary Purpose
APIs	VA	Antiepileptic and anticonvulsant
	Di-VANa	Antiepileptic and anticonvulsant
	Propafenone	Arrhythmia
	Methylphenidate	Anti-ADHD
	Duloxetine	Anti-depression
	Cyclophosphamide	Antitumor agent
	Loxoprofen	Antipyretic analgesia
	Articaine HCL	Anesthetics
	HOCLQ-sulfate	Malaria
	Brinzolamide	Glaucoma
	Atomoxetine	Anti-ADHD
	LMTM	Alzheimer's disease
API Intermediate	Pent-2	Anesthetics
	PGA	Antiparkinson medication
	NBE	Sleeping pills and anesthetics for surgical use
	5-HMT	Anti-AIDS
	BOV	Steroid
	(S)-MMAA	Anti-depression
	HOCLQ	Anti-malaria
	Prop-3	Arrhythmia
	Thiazole acid	Antitumor agent
	S20/38	Antitumor agent
	Olivetol	Anti-epilepsy
	PMDOL	Anti-epilepsy

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) 、Chemours	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 Teller System (ATM)	Import agent	Normal
System Integration Services	Import agent or local purchase	Normal
Maintenance and Repairs	Local purchase	Normal

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

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	2017				2018				As of Q1 2019			
	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 2019 (%)	Relationship with the Issuer
1	Taiwan Tobacco and alcohol	1,753,962	12.84	None	Taiwan Tobacco and alcohol	2,051,485	15.43	None	Taiwan Tobacco and alcohol	408,103	12.94	None
	Others	11,906,977	87.16		Others	11,241,389	84.57		Others	2,745,436	87.06	
	Net Purchase	13,660,939	100.00		Net Purchase	13,292,874	100.00		Net Purchase	3,153,539	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 NTS

Item	2017				2018				As of Q1 2019			
	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 2019(%)	Relationship with the Issuer
1	Customer E	136,920	10.52	None	Customer B	291,281	15.02	None	CustomerE	116,832	19.35	None
2	Customer F	134,630	10.35	None	Customer E	229,413	10.35	None	Customer G	73,616	12.19	None
3	Others	1,029,500	79.13	None	Others	1,419,219	74.63	None	Others	413,239	68.46	None
	Net Sales	1,301,050	100.00		Net Sales	1,939,913	100.00		Net Sales	603,687	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 for changes: Customer B was the new major account in 2018. Due to the de-stocking of its HOCLQ inventory, the quantity of orders increased in 2018. Customer G was the new major account in Q1 2018, and it purchased Olivetil and PMDOL.

c. Primary goods supplier

Unit: Thousand NTS

Item	2017				2018				As of Q1 2019					
	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 2019 (%)	Relationship with the Issuer		
1	Nantong	100,211	22.07	None	1	Nantong	191,243	28.92	None	1	Nantong	59,778	29.67	None
2	Trans Chief	65,623	14.46	None	2	Trans Chief	90,931	13.75	None	2	Trans Chief	22,953	11.39	None
3	Others	288,137	63.47	None	3	Others	379,218	57.33	None	3	Others	118,757	58.94	None
	Net Purchase	453,971	100.00			Net Purchase	661,392	100.00			Net Purchase	201,488	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 NTS

Item	2017				2018				As of Q1 2019			
	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 2019 (%)	Relationship with the Issuer
1	Customer A	481,545	14.60	None	Customer A	-	-	None	Customer A	104,639	17.58	-
2	Customer B	471,118	14.29	-	Customer B	441,004	13.15	None	Customer B	-	-	None
3	Customer C	353,648	10.72	-	Customer C	-	-	None	Customer C	-	-	-
4	Customer D	-	-	-	Customer D	362,561	10.81	None	Customer D	490,555	82.42	None
6	Others	1,991,121	60.39	-	Others	2,550,477	76.04	-	Others	426,051	49.10	-
	Net Sales	3,297,432	100.00		Net Sales	3,354,042	100.00		Net Sales	595,194	100.00	

Reason for changes: Based upon business needs.

List of Major Suppliers in the Most Recent Two Years

Unit: Thousand NT\$

Item	2017				2018				As of Q1 2019			
	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 2019 (%)	Relationship with the Issuer
1	Hitachi-Omron Terminal Solutions, Corp.	1,284,655	51.72	None	Hitachi-Omron Terminal Solutions, Corp.	767,711	29.93	None	Hitachi-Omron Terminal Solutions, Corp.	84,837	19.61	None
2	-	-	-	-	Systemco m Co., Ltd.	264,055	10.29	None	Oracle Taiwan LLC, Taiwan Branch	54,172	12.52	None
3	Others	1,199,449	48.28	-	Others	1,533,362	59.78	-	Others	293,668	67.87	-
	Net Purchase	2,484,104	100.00		Net Purchase	2,565,128	100.00		Net Purchase	432,677	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	2017			2018		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
APIs			198	416,004		386	714,093
API intermediate		3,700	237	305,507	3,700	170	291,602
Others			871	105,995		815	75,181
Total		3,700	1,306	827,506	3,700	1,371	1,080,876

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.

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	Sales Value in 2017	Sales Value in 2018
Retail of daily commodities and food	19,986,356	20,568,682

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	2017		2018	
	Number of Effective	Total Premium	Number of Effective	Total Premium
Life Insurance	3,339,933	92,322,909	3,393,204	85,889,560
Health Insurance	8,518,649	35,295,450	8,557,152	36,095,026
Accident	3,375,033	3,253,347	3,475,349	3,317,349
Pension Insurance	49,913	308,253	40,070	331,338
Universal	27,180	696,649	25,677	616,353
Investment	265,766	1,757,927	290,548	2,003,573
Group Insurance	819,797	1,463,272	944,876	703,110
Total	16,396,271	135,097,806	16,726,876	128,956,309

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)	2017		2018		2017		2018	
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
APIs	16.27	36,736	211.42	740,425	22.83	38,207	403.27	1,166,345
API Intermediate	38.51	9,137	200.51	376,445	39.46	30,147	199.23	553,642
Others	865.86	135,596	1.00	2,711	1,007.24	145,503	0	6,069
Total	920.64	181,469	412.93	1,119,581	1,069.53	213,857	602.50	1,726,056

D. Information services

Unit: Thousand NT\$

Primary Product (or Department)	2017		2018		2017		2018	
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Automated Financial Service Machines	3,470	1,391,867			3,690	1,240,589		
System Integration Services		1,050,785				1,155,589		
Maintenance and Repairs		638,824				678,450		
Others		189,982		25,974		239,829		39,585
Total	3,470	3,271,458		25,974	3,690	3,314,457		39,585

3. Information of employees for the 2 most recent years

Major Invested Company	Year		2017	2018	(Note)
	Item				
Retail of Daily Commodities and Food	Number of Employees	General Employees	4,772	4,672	4,599
		Hourly Employees	3,924	4,113	4,294
		Total	8,696	8,785	8,893
	Average Age		28.46	29.10	29.60
	Average Years of Service		2.75	2.70	2.90
	Education Distribution (%)	PhD	0	0	0
		Master	0.80%	0.90%	0.81%
		University/College	46.76%	46.23%	44.26%
		High School	35.60%	33.62%	32.63%
Below High School		16.82%	19.25%	22.31%	
Life Insurance	Number of Employees	Office Staff	1,613	1,612	1,617
		Field Staff	16,861	14,618	14,219
		Total	18,474	16,230	15,836
	Average Age		35.40	36.36	37.51
	Average Years of Service		6.26	7.20	8.35
	Education Distribution (%)	PhD	0.01%	0.01%	0.01%
		Master	5.57%	5.87%	5.97%
		University/College	71.67%	72.07%	72.00%
		High School	22.29%	21.63%	21.57%
Below High School		0.46%	0.42%	0.45%	
Pharmaceuticals	Number of Employees	Managerial Level or Above	11	11	12
		General Employees	235	242	243
		Total	246	253	255
	Average Age		38.27	39.01	39.09
	Average Years of Service		8.17	8.77	9.00
	Education Distribution (%)	PhD	3.66%	3.58%	3.55%
		Master	13.82%	13.15%	13.04%
		University/College	52.85%	55.78%	55.34%
		Senior or Vocational High School	13.82%	12.75%	12.65%
Below High School		15.85%	14.74%	15.42%	
Information Services	Number of Employees	Sales	53	59	61
		Hardware Services	295	277	278
		Software Services	186	176	173
		Administration	168	224	236
		Total	702	736	748
	Average Age		38.9	36.75	39.23
	Average Years of Service		7.7	6.7	8.48
	Education Distribution (%)	PhD	0.15%	0.09%	0.09%
		Master	4.25%	7.25%	6.51%
University/College		90.75%	88.86%	89.5%	
High School		3.85%	3.71%	3.81%	
Below High School	1%	0.09%	0.09%		

Note: For Life Insurance was acquired as of Feb. 28, 2019 ; for Pharmaceuticals, Retail of Daily Commodities and Food were acquired as of March 31, 2019; for Information Services, information was acquired as of May 15, 2019.

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\$6,744 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 2018, air pollution prevention fees paid amounted to NT\$927,951. Subcontracted processing fees amounted to NT\$32,110,713; internal processing expenses amounted to NT\$30,686,291.

(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

- A. Employee benefits, continuing education, training, and retirement systems and the implementation situations, employer-employee agreements, and measures taken to safeguard employees' interests:

- a. Each company 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. Each company also holds occasional tours, vacations, and various cultural and welfare events. Annual year-end bonuses and employee bonuses are released according to overall business performance.
- b. Each company should 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, so as to acquire the latest information. In 2018, a total of 62,157 individuals participated in preliminary training and on-job training held inside and outside the Company. Total training expenses amounted to NT\$20,035thousand.
- c. 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 Labor Pension Act.
- d. Each company has established the Occupational Safety and Health Committee in accordance with the regulations. The Occupational Safety and Health Committee meets every three months, and representatives of labor, management, and occupational safety and health department discuss and follow up the status of the workplace according to the occupational disaster management plan.
- e. Each company has established the working rules, regulations for rewards and disciplinary actions, and regulations for sexual harassment prevention according to the regulations and needs to urge all employees to follow the business ethics and conduct. The life insurance business has also established the code of conduct and ethics to urge all employees to follow the business ethics and conduct.
- f. Each company provides labor insurance and health insurance for employees according to the regulations and needs; in addition, group insurance, annuity insurance, and mortgages are also offered.
- g. The Company publishes policies and communicates with employees openly, and convenes management and labor councils on schedule to maintain harmonious management-union relation; therefore, no labor dispute has ever occurred.

- h. Implementation situations: In 2018, employee benefits, continuing education, training, and retirement systems were well implemented according to the regulations.
- B. 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. Every company in the Group always attaches great importance to employee benefits, two-way communication, and compliance with related laws and regulations; therefore, the labor relations are quite harmonious. There has been no labor dispute that results in any loss. Every company in the Group will continue to improve employer-employee communication and do its 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: N/A.
- C. Protective measures for the safety of the workplace and personal safety of the employees:

Every company in the Group has established the Occupational Safety and Health Committee in accordance with the regulations. In addition to passing regular public safety inspections conducted every year, each company purchases public accident insurance and strengthened group insurance for employees every year and organizes health examinations from time to time. The Employee Welfare Committee of each company also provides employees various consolations for accidents and other forms of benefits. The pharmaceutical industry is a chemical industry. In the manufacturing process, failure to follow standard operating procedures may cause employees' personal injury; therefore, the following measures are taken to safeguard the personal safety of employees:

 - a. Conduct preventive maintenance every month.
 - b. Carry out hazard awareness training for new employees.
 - c. Write up SOPs and strictly require employees and contractors to follow.
 - d. Require employees to wear protective devices, such as goggles, safety shoes, and safety helmets.
 - e. Set up emergency rescue devices, such as eye wash devices and AED.
 - f. Conduct industrial safety training every half a year.
 - g. Promote environmental protection, safety, and health.
 - h. Organize the employee health examination in the middle of every year and arrange special examinations for employees working in special operations.
 - i. Hold an environmental safety meeting every two weeks to review deficiencies found in the environmental safety and health inspections.
 - j. Organize a meeting of the Occupational Safety and Health Committee every quarter to assess the risks of occupational safety and health.
 - k. Conduct the survey of musculoskeletal symptoms, personal overwork scale, and survey of violence and risk assessment every two years.
 - l. Encourage employees to provide recommendations for improvement through the environmental feedback form.
 - m. Implementation status: In 2018, all the above-mentioned measures were taken in accordance with the regulations.

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	Hua Nan Bank	107.10~110.10	Long-term loan to support operation capital and improve financial structure	Note 2
Loan contract	Yuanta Bank	107.08~110.08	Long-term loan to support operation capital and improve financial structure	Note 2
Loan contract	Bank SinoPac	107.08~109.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	E. Sun Bank	107.08~109.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Shin Kong Bank	107.08~109.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	O-Bank	106.07~109.07	Long-term loan to support operation capital and improve financial structure	None
Loan contract	First Bank	107.06~109.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	JihSun Bank	107.06~109.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	KGI Bank	107.09~109.09	Long-term loan to support operation capital and improve financial structure	None
Loan contract	BEA Bank	107.05~109.05	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taipei Fubon Bank	107.01~109.01	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taiwan SME Bank 行	107.07~109.07	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Land Bank	107.02~110.02	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Bank SinoPac	107.08~109.08	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	106.12~111.12	Syndicated loan in response to medium-term working capital and improvement in the financial structure	Note 1
Warranted syndicated loan agreements	Taishin International Bank and 11 other banks participating in the syndicated loan	104.12~109.12	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		Financial Summary for The Last Five Years				
Item		2014	2015	2016	2017	2018
Current assets		149,122,046	165,333,265	149,832,739	152,552,568	160,854,167
Property, plant, and equipment (PP&E) (Note 1)		13,927,351	14,629,851	15,400,800	15,272,753	15,349,993
Intangible assets		66,112	68,257	61,612	127,112	200,649
Other assets		656,676,636	699,047,326	803,493,776	904,522,834	986,786,826
Total assets		819,792,145	879,078,699	968,788,927	1,072,475,267	1,163,191,635
Current liabilities	Before distribution	17,551,579	11,509,108	13,941,747	14,218,340	12,999,499
	After distribution	17,960,400	11,917,912	14,442,526	14,830,709	13,412,840 (Note 2)
Non-current liabilities		774,415,265	838,889,481	921,284,469	1,017,405,443	1,121,371,279
Total liabilities	Before distribution	791,966,844	850,398,589	935,226,216	1,031,623,783	1,134,370,778
	After distribution	792,375,665	850,807,393	935,726,995	1,032,236,152	1,134,784,119 (Note 2)
Total equity attributable to owners of the parent		11,940,103	11,593,981	14,119,373	16,916,015	10,863,603
Common stock		6,813,689	6,813,409	7,153,989	7,654,617	8,266,827
Capital surplus		897,836	965,886	1,032,182	1,012,896	2,233,713 (Note 2)
Retained earnings	Before distribution	5,482,195	6,449,865	7,816,486	8,410,394	6,599,377
	After distribution	5,073,374	5,700,391	6,814,928	7,185,656	6,599,377 (Note 2)
Other equity interest		(720,945)	(2,102,507)	(1,350,612)	370,780	(5,703,642)
Treasury stocks		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Non-controlling interest		15,885,198	17,086,129	19,443,338	23,935,469	17,957,254
Total equity	Before distribution	27,825,301	28,680,110	33,562,711	40,851,484	28,820,857
	After distribution	27,416,480	28,271,306	33,061,932	40,239,115	28,407,516 (Note 2)

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

Note 2: On March 29, 2019, the Board of Directors resolved not to distribute earnings but to distribute NT\$413,341 thousand of capital reserve in cash. After the distribution, capital reserve became NT\$1,820,372 thousand. The distribution of capital reserve is yet to be resolved in the shareholders' meeting.

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

Unit: Thousand NT\$

Year Item	Financial Summary for The Last Five Years				
	2014	2015	2016	2017	2018
Operating revenue	186,759,179	192,967,661	205,368,649	238,955,722	225,193,699
Operating margin(loss)	--	--	--	--	--
Net operating income (loss)	--	--	--	--	--
Non-operating income and expense	--	--	--	--	--
Profit (loss) before tax	2,661,242	4,217,333	3,770,725	3,824,660	(328,223)
Net profit (loss) from continuing operations	2,634,762	3,133,276	3,616,744	3,396,996	486,301
Income from discontinued	--	--	--	--	--
Net profit (loss) for the year	2,634,762	3,133,276	3,616,744	3,396,996	486,301
Other comprehensive income (loss)(income after tax)	1,419,865	(3,051,527)	1,533,820	3,585,105	(15,476,737)
Total comprehensive income for	4,054,627	81,749	5,150,564	6,982,101	(14,990,436)
Net profit (loss) attributable to Owners of parent	1,259,900	1,474,715	2,049,513	1,640,955	332,019
Net profit (loss) attributable to Non-controlling	1,374,862	1,658,561	1,567,231	1,756,041	154,282
Total comprehensive income (loss) attributable to Owners of parent	2,003,571	(7,267)	2,866,570	3,389,212	(6,760,679)
Total comprehensive income (loss) attributable to Non-controlling interests	2,051,056	89,016	2,283,994	3,592,889	(8,229,757)
Earnings per share	1.62	1.89	2.63	2.11	0.43

(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				
		2014	2015	2016	2017	2018
Current assets		2,627,287	387,184	252,171	271,234	250,051
Property, plant, and equipment (PP&E) (Note 1)		2,411,289	392,983	414,256	380,724	376,626
Intangible assets		6,045	--	--	--	--
Other assets		18,135,670	19,346,630	21,819,613	24,936,956	18,478,614
Total assets		23,180,291	20,126,797	22,486,040	25,588,914	19,105,291
Current liabilities	Before distribution	2,089,064	219,479	94,626	177,800	216,282
	After distribution	2,497,885	628,283	595,405	790,169	629,623 (Note 2)
Non-current liabilities		9,151,124	8,313,337	8,272,041	8,495,099	8,025,406
Total liabilities	Before distribution	11,240,188	8,532,816	8,366,667	8,672,899	8,241,688
	After distribution	11,649,009	8,941,620	8,867,446	9,285,268	8,655,029 (Note 2)
Common stock		6,813,689	6,813,409	7,153,989	7,654,617	8,266,827
Capital surplus		897,836	965,886	1,032,182	1,012,896	(Note 2)2,233,713
Retained earnings	Before distribution	5,482,195	6,449,865	7,816,486	8,410,394	6,599,377
	After distribution	5,073,374	5,700,391	6,814,928	7,185,656	6,599,377 (Note 2)
Other equity interest		(720,945)	(2,102,507)	(1,350,612)	370,780	(5,703,642)
Treasury stock		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Total equity	Before distribution	11,940,103	11,593,981	14,119,373	16,916,015	10,863,603
	After distribution	11,531,282	11,185,177	13,618,594	16,303,646	10,450,262 (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: On March 29, 2019, the Board of Directors resolved not to distribute earnings but to distribute NT\$413,341 thousand of capital reserve in cash. After the distribution, capital reserve became NT\$1,820,372 thousand. The distribution of capital reserve is yet to be resolved in the shareholders' meeting.

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

Unit: Thousand NT\$

Year Item	Financial Summary for The Last Five Years				
	2014	2015	2016	2017	2018
Operating revenue	14,614,261	1,907,589	2,354,851	1,963,153	680,260
Operating margin(loss)	5,643,562	1,874,935	2,301,870	1,947,412	664,482
Net operating income (loss)	1,379,322	1,720,117	2,154,290	1,807,427	557,356
Non-operating income and expense	(119,422)	(92,360)	(105,295)	(64,998)	(57,512)
Profit (loss) before tax	1,259,900	1,627,757	2,048,995	1,742,429	499,844
Net profit (loss) from continuing operations	1,259,900	1,474,715	2,049,513	1,640,955	332,019
Income from discontinued operations	--	--	--	--	--
Net profit (loss) for the year	1,259,900	1,474,715	2,049,513	1,640,955	332,019
Other comprehensive income (loss) (income after tax)	743,672	(1,481,982)	817,056	1,748,257	(7,092,698)
Total comprehensive income for the year	2,003,572	(7,267)	2,866,569	3,389,212	(6,760,679)
Net profit (loss) attributable to Owners of parent	1,259,900	1,474,715	2,049,513	1,640,955	332,019
Net profit (loss) attributable to Non-controlling interests	--	--	--	--	--
Total comprehensive income (loss) attributable to Owners of parent	2,003,572	(7,267)	2,866,569	3,389,212	(6,760,679)
Total comprehensive income (loss) attributable to Non-controlling interests	--	--	--	--	--
Earnings per share	1.62	1.89	2.63	2.11	0.43

(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
2018	BDO Taiwan	Liu,Ke-Yi and Hsu,Kun-Hsi	Unqualified opinion	-
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	

2. Five-year financial analysis

(1) Consolidated Financial Analysis – Based on IFRS

Item analyzed		Financial analysis for the last five years				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt Ratio	96.61	96.74	96.54	96.19	97.52
	Ratio of long-term capital to property, plant and equipment	5,760.18	5,930.13	6,199.98	6,929.05	7,493.11
Solvency (%)	Current ratio	849.62	1,436.54	1,074.71	1,072.93	1,237.39
	Quick ratio	828.68	1,401.68	1,042.83	1,041.62	1,201.98
	Interest earned ratio (times)	1,880.73	2,761.79	2,589.88	2,953.90	(208.57)
Operation performance	Accounts receivable turnover (times)	2.39	2.52	2.53	2.55	2.47
	Average collection period	152.46	144.93	144.46	142.95	147.68
	Inventory turnover (times)	3.30	3.50	3.43	3.69	3.83
	Accounts payable turnover (times)	5.46	6.42	6.37	6.75	7.03
	Average days in sales	110.61	104.29	106.41	98.92	95.30
	Property, plant, and equipment turnover (times)	14.14	13.51	13.68	15.58	14.71
	Total asset turnover(times)	0.24	0.23	0.22	0.23	0.20
Profitability	Return on total assets (%)	0.36	0.38	0.41	0.34	0.05
	Return on equity (%)	10.25	11.09	11.62	9.13	1.40
	Ratio of income before tax to paid-in capital (%)	39.06	61.90	52.71	49.97	(3.97)
	Profit ratio (%)	1.41	1.62	1.76	1.42	0.22
	Earnings per share (NT\$)	1.62	1.89	2.63	2.11	0.43
Cash flow	Cash flow ratio (%)	411.26	426.73	675.21	719.74	159.10
	Cash flow adequacy ratio (%)	618.69	564.91	692.48	851.47	1,088.51
	Cash reinvestment ratio (%)	8.88	5.55	9.76	9.58	1.74
Leverage	Operating leverage (DOL)(Note1)	--	--	--	--	--
	Financial leverage (DFL) (Note1)	--	--	--	--	--

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 times interest earned (TIE): The decrease was mainly due to the loss before tax in 2018 but was profitable in 2017.
2. Decrease in profitability indicators: The significant decline in profit was mainly due to the increase in the loss on financial assets and liabilities at fair value through profit or loss.
3. Decrease in cash flow ratio and cash reinvestment ratio: The decrease was mainly due to the significant decline in profit and cash flows from operating activities.
4. Increase in cash flow adequacy ratio: The increase was mainly due to the decrease in capital expenditures for the past five years.

Note 1 : The insurance industry has no operating profit, so operating leverage and financial leverage are not calculated.

Note 2 : Calculation formulas are provided below.

(2) Individual Financial Analysis – Based on IFRS

Item analyzed		Financial analysis for the last five years				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt Ratio	48.49	42.40	37.21	33.89	43.14
	Ratio of long-term capital to property, plant and equipment	874.69	5,065.69	5,405.21	6,674.42	5,015.32
Solvency (%)	Current ratio	125.76	176.41	266.49	152.55	115.61
	Quick ratio	46.31	176.08	266.18	152.20	115.58
	Interest earned ratio (times)	1,006.21	1,424.18	1,783.93	1,796.09	716.16
Operation performance	Accounts receivable turnover (times)	89.96	22.30	86.02	78.64	51.40
	Average collection period	4.06	16.37	4.24	4.64	7.10
	Inventory turnover (times)	4.56	0.03	--	--	--
	Accounts payable turnover (times)	6.47	0.05	445.22	--	--
	Average days in sales	80.04	--	--	--	--
	Property, plant, and equipment turnover (times)	5.93	1.36	5.83	4.94	1.80
	Total asset turnover(times)	0.67	0.09	0.11	0.08	0.03
Profitability	Return on total assets (%)	6.27	7.38	10.09	7.18	1.78
	Return on equity (%)	11.29	12.53	15.94	10.57	2.39
	Ratio of income before tax to paid-in capital (%)	18.49	23.89	28.64	22.76	6.05
	Profit ratio (%)	8.62	77.31	87.03	83.59	48.81
	Earnings per share (NT\$)	1.62	1.89	2.63	2.11	0.43
Cash flow	Cash flow ratio (%)	36.99	6.18	178.09	360.02	106.23
	Cash flow adequacy ratio (%)	31.15	33.95	27.48	34.14	41.99
	Cash reinvestment ratio (%)	1.33	(1.97)	(1.07)	0.55	(2.01)
Leverage	Operating leverage (DOL)	1.00	1.00	1.00	1.00	1.00
	Financial leverage (DFL)	1.11	1.08	1.06	1.06	1.17
<p>Description of causes for changes in financial ratios in the most recent two years. (Analysis is not required if the change is within 20 %.)</p> <ol style="list-style-type: none"> Increase in debt ratio and decrease in ratio of long-term capital to property, plant and equipment: The increase in debt ratio and the decrease in ratio of long-term capital to property, plant and equipment were mainly due to the increase in unrealized valuation loss on financial assets of the life insurance business, causing the decrease in total assets and shareholders' equity. Decrease in current ratio and quick ratio: The decrease was mainly due to the significant increase in income tax liabilities in 2018. Decrease in times interest earned (TIE): The decrease was mainly due to the significant drop in profitability in 2018. Decrease in accounts receivable turnover, average collection period, property, plant, and equipment turnover, and total asset turnover: The decrease was mainly due to the decrease in the gain on investments accounted for using the equity method. Decrease in profitability indicators: The significant decline in profit was mainly due to the increase in the unrealized valuation loss on financial assets of the life insurance business. Decrease in cash flow ratio and cash reinvestment ratio: The decrease was mainly due to the increase in income tax expenses and decline in profit, causing the decrease in cash flows generated from operating activities. Increase in cash flow adequacy ratio: The increase was mainly due to the decrease in capital expenditures for the past five years. 						

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. Audit Committee's review report for the most recent year

Reviewed Report

To the Audit Committee:

We have audited the accompanying 2018 various statements of MERCURIES & ASSOCIATES HOLDING, LTD., which include the balance sheet of December 31, 2018, 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 2018. 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, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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

Audit Committee

BDO Taiwan
CPA Chang, Shu-Cheng
March 29, 2019

Mercuries & Associates Holding, LTD.

Audit Committee' Review Report

2018 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 Audit Committee members 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

2019 Annual Shareholders' Meeting

Audit Committee Convenor: Lee, Mao

March 29, 2019

4. Consolidated financial statements for the years ended December 31, 2018 and 2017, and independent auditors' report

Please refer to page 100 of the Chinese annual report.

5. Individual financial statements for the years ended December 31, 2018 and 2017, and independent auditors' report

Please refer to page 238 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	2018	2017	Difference	Proportion of change %	Notes
Current assets	160,854,167	152,552,568	8,301,599	5.44%	
Property, plant, and equipment	15,349,993	15,272,753	77,240	0.51%	
Intangible assets	200,649	127,112	73,537	57.85%	
Other assets	986,786,826	904,522,834	82,263,992	9.09%	
Total assets	1,163,191,635	1,072,475,267	90,716,368	8.46%	
Current liabilities	12,999,499	14,218,340	(1,218,841)	(8.57%)	
Non-current liabilities	1,121,371,279	1,017,405,443	103,965,836	10.22%	
Total liabilities	1,134,370,778	1,031,623,783	102,746,995	9.96%	
Common stock	8,266,827	7,654,617	612,210	8.00%	
Capital surplus	2,233,713	1,012,896	1,220,817	120.53%	1
Retained earnings	6,599,377	8,410,394	(1,811,017)	(21.53%)	2
Other equity	(5,703,642)	370,780	(6,074,422)	(1,638.28%)	3
Treasury stock	(532,672)	(532,672)	0	0.00%	
Non-controlling interest	17,957,254	23,935,469	(5,978,215)	(24.98%)	4
Total equity	28,820,857	40,851,484	(12,030,627)	(29.45%)	4

Analysis of changes in ratios: (analysis would not be required if the change is within 20%)

- The increase was mainly due to the difference between the disposal price and book value of a subsidiary's equity, and the changes from subsidiaries and affiliate companies recognized by the equity method.
- The decrease of retained earnings was mainly due to the reduction in profit for the period and the change in the shareholding percentage of investee companies.
- The decrease was mainly due to the effect of unrealized gain or loss on financial assets measured through other comprehensive income (including the effect of overlay approach adopted by the life insurance business).
- The decrease was mainly due to the reduction in profit for the period and the effect of unrealized gain or loss on financial assets measured through other comprehensive income (including effect of overlay approach adopted by the life insurance business).

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	2018	2017	Sum of the gain (loss)	Proportion of change (%)	Item analyzed
Total operating revenue	225,193,699	238,955,722	(13,762,023)	(5.76%)	
Total operating cost	(225,521,922)	(235,131,062)	(9,609,140)	(4.09%)	
Profit(loss) before tax from continuing operations	(328,223)	3,824,660	(4,152,883)	(108.58%)	1
Income tax	814,524	(427,664)	1,242,188	290.46%	2
Net Profit(loss) from continuing operations	486,301	3,396,996	(2,910,695)	(85.68%)	1

Analysis of changes in ratios: (analysis would not be required if the change is within 20%)

- The decrease was mainly due to the increase in the valuation loss of financial assets measured through profit or loss and hedging costs in the life insurance business.
- The increase was mainly due to the gain on deferred income tax of the temporary differences arising from the unrealized loss in the life insurance business.

(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	351
API Intermediate	167
Others	729
Total	1,247

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		Proportion of change %
	December 31, 2018	December 31, 2017	
Cash flow ratio %	159.10	719.74%	(77.89%)
Cash flow adequacy ratio %	1,188.51	854.60%	39.07%
Cash reinvestment ratio %	1.74	9.58%	(81.84%)

Analysis of the proportion of change:

- The decrease in the cash flow ratio and the cash reinvestment ratio was mainly due to the reduction in profit for 2018 and the increase in financial assets at fair value through profit or loss, causing the reduction in cash flows from operating activities.
- The increase in the cash flow adequacy ratio was mainly due to the reduction in the capital expenditure compared with the previous period.

(2) Analysis of cash liquidity in 2018:

Unit: Thousand NT\$

Cash at beginning of year ^①	Cash flows from operating activities for the entire year ^②	Cash outflow for the entire year ^③	Sum of cash surplus (inadequacy) ①+②-③	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
62,317,586	20,682,443	13,921,828	69,078,201	—	—

1. Analysis of changes to cash flow for this year:

- Operating activities: The decrease in cash flows generated from operating activities was mainly due to the increase in financial assets at fair value through profit or loss in 2018.
- Investing activities: The decrease in cash flows used in investing activities was mainly due to the decrease in the investments in debt instruments made by MLI.
- Financing activities: The increase in cash flows used in financing activities was mainly due to the decrease in the bank loans made by MLI.

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 year ^①	Expected cash flows from operating activities for the entire year ^②	Expected cash outflow for the entire year ^③	Expected sum of cash surplus (or inadequacy) ①+②-③	Remedial measures for expected cash inadequacy	
				Investment plan	Financing plan
69,078,201	96,376,779	(117,911,772)	47,543,208	—	—
<p>1. Analysis of changes in cash flows for the year:</p> <p>(1) Operating activities: Net cash flows from operating activities in 2019 are expected to post year-on-year increase mainly due to the following:</p> <p>A. The life insurance business had a great amount of pension insurance benefit paid at maturity in 2018, while such payment was expected to be less in 2019.</p> <p>B. Investment revenue of the life insurance business in 2019 is expected to grow year-on-year.</p> <p>(2) Investing activities: The increase in cash flows used in investing activities in 2019 will be mainly due to the expected increase in shares and bond investments made by the life insurance business.</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 2018 were mainly on the decoration of new stores. There was no significant capital expenditure in 2018.

(2) Life insurance

There was no significant capital expenditure in 2018

(3) Pharmaceuticals

The capital expenditures in 2018 were mainly on the research and development building and the quality control laboratory.

A.Expected benefits: These capital expenditures were required to support the business growth and statutory requirements. Business remained growing, and the new research and development building and quality control laboratory will be effectively utilized to benefit the future operations.

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 material capital expenditure in 2018.

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)Policy on investments in other companies

The Company continued to integrate group resources and restructure, evaluate investment strategies with prudence and seek new opportunities for cross-industry alliances and investment projects, and expand the scale of business through vertical integration and

diversified business models.

The life insurance business invested in life insurance-related companies, such as securities investment trust enterprises and securities enterprise, and urban renewal development projects led by the government to enhance its product portfolio and the breadth and performance of investments. In 2018, there was no material changes in the Company's investment in other companies.

(2) Main reasons for profit / loss resulting therefrom

The reduction in profit in 2018 was mainly due to the increase in the valuation loss of financial assets measured through profit or loss and hedging costs in the life insurance business. For profit or loss of investee companies in 2018, refer to Pages 349~350 of the Annual Report.

(3) Improvement plan

The Company should make an investment plan more prudently and maintain a policy on stable investment to improve the effect of asset allocation.

(4) No individual investment project in the following year accounts for more than 5% of the Company's paid-in capital. The Company will maintain a policy on stable investment to improve the effect of asset allocation; in addition, the Company is still actively expanding its market and looking for domestic and overseas investment partners for joint venture opportunities and its business scope. In addition to achieving the objectives of diversification, the Company will also leverage professionalism and other advantages of its partners in their respective sectors to expand the scope of business, 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 Central Bank continued to adopt the tight monetary policy. The Fed showed patience in raising interest rates and did not rule out the adjustment of the balance sheet reduction plan. The President of the ECB Mario Draghi indicated that European economy was weaker than expected and still required large-scale monetary stimuli; the Governor of the Bank of Japan Haruhiko Kuroda indicated that it was necessary to pay more attention to the economic downside and maintain patience with the current easing policy. After two consecutive years of global economy growth, the base period value has increased; with the weakening effect of tax reductions in the U.S. and the tightening effect of global liquidity, the economic outlook is challenging. The Company would pay close attention to the trend of interest rates and adjust the investment portfolio and appropriate strategies for investment and financing in a timely manner.

a. Retail of daily commodities and food

Financial costs in 2018 amounted to NT\$9,764 thousand, accounting for 0.05% and 1.42% 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 in interest rates will therefore be unlikely to significantly impact the overall operations of the Company.

b. Life insurance

Net income from interest on investments in 2018 amounted to NT\$32,826,644 thousand, accounting for 19.56% and 2,140.39% 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 adopt appropriate strategies for investment.

c. Pharmaceuticals

The interest expense amounted to NT\$2,000 only in 2018. Changes in market interest rates did not have any impact on relevant interest expenditures.

d. Information services

Net income from interest on investments in 2018 amounted to NT\$(9,062) thousand, accounting for 0.27 % and 7.54 % 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

Looking to 2019, the IMF estimated the annual growth rate of GDP in the U.S. at 2.5%, which still falls in the scope of moderate expansion. Private consumption and prices are expected to grow mildly. The Fed has repeatedly suggested that the interest rate hike is about to end, leading to a fluctuation in the yield of U.S. bonds. If the central banks of Europe and Japan move toward the normal monetary policy, the difference in the monetary policy among the Fed, ECB, and BoJ will decrease, along with weakened US dollars. The Company will adjust the hedging strategies according to the trend of interest rates to reduce the effect of exchange rate fluctuations on profit.

a. Retail of daily commodities and food

Products were mainly sold in the domestic market. The exchange loss caused by purchase amounted to about NT\$1,078 thousand, accounting for 0.01% and 0.16% of operating revenue and income before tax specified in the financial statements of the business unit, respectively. Changes in exchange rates did not have a significant impact on the Company.

b. Life insurance

The net exchange gain in 2018 totaled NT\$12,390,587 thousand, accounting for 7.38% and 807.90% of operating revenue and income before tax specified in the financial statements of the business unit, respectively. The Company will adjust the hedging strategies according to the trend of interest rates to reduce the effect of exchange rate fluctuations on profit.

c. Pharmaceuticals

Exchange losses in 2018 amounted to NT\$16.48 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 2018 amounted to NT\$14,386 thousand, accounting for 0.43% and 11.96% 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 1.35%. Commodity prices remained stable in 2018. 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

The China-US trade war upset the global market. In 2019, special attention should be paid to the major risks of trade war and inflation. The China-US trade war will pose mid- to long-term risks to the market and further trigger inflation. The U.S. is China's top trading partner for exports, accounting for nearly 50% of China's export market. The trade war will lead to higher prices, which affects not only the U.S. itself, but also Japan and Europe, whose labor markets are both tight, and may further results in inflation. The Company will continuously review the trend of global inflation to prevent the return on investment from being eroded by inflation.

c. Pharmaceuticals

Changes in product manufacturing costs and operating expenses amounted to NT\$1.2 billion in 2018. An increase of 2% in the inflation rate will increase expenses by NT\$24 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:

The Company did not engage in any high-risk or highly-leveraged investments endorsements/guarantees, or derivatives trading. Due to the business needs of investee companies, the Company made loans as follows:

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. The Company did not engage in highly-leveraged investments, loaning funds to others, and endorsements/guarantees.

b. The Company only engaged in the derivatives trading already approved by the competent authority mainly for the purpose of hedging. The profit or loss of such trading was hedged against the hedged item. The profit or loss of such trading was regularly evaluated by related procedures to control the effect of fluctuations in exchange rates, interest rates, and market prices.

c. 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 unit 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 business unit expects to launch a fried chicken store and continues to adjust the flavors of existing products. Total R&D expenses in 2018 amounted to NT\$3,336 thousand, accounting for 0.48% of income before tax of the business unit. The expected R&D investment in 2019 is around NT\$5,000 thousand.

B. Life insurance

In addition to providing comprehensive life insurance products and services for customers, MLI was also committed to satisfying the customers' requirements for insurance and wealth management. MLI constantly monitored market changes and developed investment-based products and variable-rate products in multiple currencies as well as health insurance and personal accident insurance with multiple forms of coverage and payment models to cater to market demands. MLI will offer installment insurance and add discretionary investment insurance to improve the profitability of both the Company and its customers; in addition, MLI will continue to develop one-year riders to enhance the protection of investment-based products. In terms of traditional products, MLI will continuously develop customer-oriented products, such as lifelong health insurance for the younger generation that covers basic inpatient treatment and protection against burns and adds benefits for multiple types of surgery. To meet the needs of specific groups, MLI will also offer distinctive health insurance to avoid price competition. In response to low interest rates and the large retiring population, MLI will offer retirement products that meet the needs of customers, such as variable-rate products in foreign currencies, to help maintain customers' wealth and life insurance and reduce the exchange rate risk and interest rate risk of the Company's assets.

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 2019 are expected to amount to NT\$25,517 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
SCI-473	Process improvement	March 2019	Key technology	Commercialization plans in the future will require an additional R&D investment of about NT\$45million.
Adenine	Process improvement	June 2019	Key technology	
AEHPA	Process improvement	September 2019	Key technology	
CBD	Under development	December 2019	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\$145,000 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. Changes in laws: The Financial Supervisory Commission promulgated the amendment to the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises in the Order Jin-Guan-Pao-Cai-Zi No. 10704502401 on May 29, 2018, including amendments to Articles 6, 25, 30, 33, 38, and 41 and new articles 6-1, 32-1, and 32-2. Article 32-2 shall take effect six months after the date of promulgation, while the remaining articles shall take effect on the date of promulgation.

Impact and response measures:

1. The Compliance Office is established under the general manager and is in charge of planning, managing, and implementing the compliance system. A chief compliance officer was also appointed to be in charge of compliance-related affairs. The chief compliance officer also serves as the head of the AML/CFT department and does not serve as the head of the legal department or hold other internal positions.
2. The Board of Directors approved the amended compliance system on November 12, 2018, which specifies the framework of compliance risk management and supervision. A compliance risk assessment mechanism was also included to identify the fields and businesses with higher compliance risk through the procedures for assessing compliance risk and the response measures and corrective plans.
3. The Company formulated the Regulations Governing the Handling of Reporting Cases, which took effect upon approval of the Board of Directors on November 12, 2018.
4. According to Article 6, the Company amended internal control over the computer information system due to the establishment of a new information security organization. The amendments include the following:
 - (1) Adding the functions of the information security organization;
 - (2) Adding the duties of the information security organization; and
 - (3) Adding control points.
5. According to Article 6-1, the following tasks were implemented:
 - (1) Information security specific department: The Company established the independent information security department and appointed the head of the department to be in charge of planning, monitoring, and implementing information security management.
 - (2) Statement of information security: The head of the information security department should prepare the statement of information security with the Chairman, the General Manager, and the Chief Auditor, specifying the results of information security management in the previous year, every year and submit the statement to the Board of Directors within 3 months after the end of every fiscal year.

(3)Information security training: The employees of the information security department should complete at least 15 hours of professional or functional training on information security every year. Office and field employees should complete at least 3 hours of awareness training on information security every year.

b.Changes in laws: The Financial Supervisory Commission approved the amendment to the Corporate Governance Doctrine for Insurance Companies in the Letter Jin-Guan-Pao-Chan-Zi No. 10701070110 on June 20, 2018, including amendments to Articles 1~3, 6~8, 11, 13, 16, 17, 19, 23, 25, 27, 28-1, 30, 35, 37, 40, 43~46, 53, 55, 57, and 63 and new articles 3-1, 13-1, and 13-2.

Impact and response measures:

1.According to the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, the Board of Directors approved the amended compliance system on November 12, 2018, which specifies the framework of compliance risk management and supervision. A compliance risk assessment mechanism was also included to identify the fields and businesses with higher compliance risk through the procedures for assessing compliance risk and compliance and the response measures and corrective plans.

2.The Company formulated the Regulations Governing the Handling of Reporting Cases, which took effect upon approval of the Board of Directors on November 12, 2018.

3.Considering the Corporate Governance Doctrine for the Insurance Industry has been discussed several times in meetings of the Life Insurance Association, the Company planned to amend the Corporate Governance Doctrine after the amendment to the Corporate Governance Doctrine for Insurance Companies was promulgated.

c.Changes in laws: The Financial Supervisory Commission promulgated the amendment to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises in the Order Jin-Guan-Pao-Cai-Zi No. 10704503371 on July 30, 2018, including amendments to Articles 9, 10, 15, 20, 26, 29, and 39 as well as the format 1 of Article 19 and deleted articles 31~33 and Chapter 7. Subparagraphs 11 and 12, Paragraph 3, and Paragraph 6, Article 9, Articles 10, 15, and 29, and the format 1 of Article 19 shall take effect from the fiscal year of 2019, while the remaining articles shall take effect on the date of promulgation.

Impact and response measures:

The amended accounting system of the Company was approved by the Board of Directors on December 28, 2018.

d.Changes in laws: The Financial Supervisory Commission promulgated the amendment to the Regulations Governing Foreign Investments by Insurance Companies in the Order Jin-Guan-Pao-Cai-Zi No. 10704505011 on November 21, 2018, including amendments to Articles 5~8, 10, 11-1, 15, 15-2, and 16.

Impact and response measures:

1.Insurance companies are allowed to invest in bonds issued or guaranteed by institutions affiliated to foreign governments when the risk of the transaction is acceptable upon assessment, which is beneficial to the effective and flexible use of funds.

2.The higher total amount of investments in foreign private equity and hedge funds is

beneficial to the flexible use of the life insurance business' funds; however, the Company seldom engages in such investments, the amendment has a limited influence on the Company.

- 3.The amendment did affect the ceiling of foreign investments, so the Company planned not to increase investments in international bonds in the short run.
 - 4.Foreign assets are currently in the custody of Taiwan Depository & Clearing Corporation and qualified domestic financial institutions in accordance with the regulations.
- e.Changes in laws: The Financial Supervisory Commission promulgated the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies in the Order Jin-Guan-Zheng-Fa-Zi No. 1070341072 on November 26, 2018, including amendments to all articles. The amendment shall take effect on January 1, 2019.

Impact and response measures:

- 1.The amendment specifies that investment professionals may be exempt from announcement when engaging in the subscription of ordinary corporate bonds from the foreign primary market and the subscription or redemption of money market funds issued by domestic securities investment trust enterprises and futures trust funds (excluding offshore funds). As the Company is an investment professional, the amendment is beneficial to the flexible use of the Company's funds.
- 2.The amendment to the Procedures for Acquisition or Disposal of Assets was submitted to the Board of Directors and was planned to be submitted to the shareholders' meeting in June 2019 for approval.

- f.Changes in laws: Taiwan Stock Exchange Corporation promulgated the amendment to the Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities in the Announcement Tai-Zheng-Shang-Yi-Zi No. 1081800484 on January 30, 2019, including amendments to Articles 4, 6, 7, 11, 12, and 15. The amendment shall take effect from now on.

Impact and response measures:

- 1.The Company amended the timing for announcing material information specified in the Procedure for Board of Directors Meetings.
- 2.In Article 4, to facilitate its compliance, the scope of material information excludes the acquisition or disposal of open-end funds through public offering.
- 3.To facilitate their compliance, Articles 11 and 12 specify the scope of material information of listed companies in the press conference and add other ways to send the declaration (by SMS or E-mail).
- 4.Article 15 aggravates the penalty, so that duties can be performed more prudently.

- g.Changes in laws: The Financial Supervisory Commission promulgated the amendment to the Guideline Governing Reserves for Change on Foreign Exchange Price by Life Insurance Enterprises in the Order Jin-Guan-Pao-Cai-Zi No. 10804500371 on January 30, 2019, including the amendment to Item 3. The amendment shall take effect from now on.

Impact and response measures:

The adjustment was completed in accordance with the regulations in 2019.

C. Pharmaceuticals

The Ministry of Health and Welfare promulgated the Good Distribution Practice (GDP) for PIC/S in July 2018. Although the date of implementation was not specified, the Company took the initiative to plan response measures based on the principle of compliance. 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 with the PIC/S GMP standards. In recent years, the FDA of the U.S. has strengthened the supervision of overseas API companies, including conducting on-site audits and sending warning letters to Chinese and Indian API companies mostly. Deficiencies include incomplete data, data operations, data forgery, data deletion, and missing documents. In recent years, the EU, the U.S., and Japan have announced and implemented stricter regulations to ensure the quality and safety of medicines. Such regulations focus on data integrity. The FDA of the U.S. officially promulgated the Data Integrity Guidance in December 2018. In response, the quality control laboratory has upgraded the stand-alone computer operations to network connection operations, and plans to introduce the Laboratory Information Management System (LIMS) in 2020 to reduce labor costs and ensure data integrity. Since 2018, the United States Pharmacopeia (USP) has requested the mandatory analysis of metal elemental impurities in medicines. To meet this international standard, the Company has completed the risk assessment report on the residues of metal elemental impurities in medicines; in addition, the Company adopted SAP ERP in 2018 to instantly control business and accounting information and integrate GMP-related equipment maintenance system, warehouse management system and quality management system, greatly improving the compliance of data integrity and computer validation. Overall, the Company has made continuous improvements to strengthen its competitive niche.

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

In recent years, mobile services, big data analysis, and voice recognition service have been evolved and studied. Continuing advancements in information technology 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 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 its food retail business (including assets, liabilities and businesses) to Mercuries F&B Co., Ltd. with the business value amounting to NT\$300 million on January 1, 2019. The operation of the food retail business was spun off to Mercuries & Associates, Ltd., a wholly owned subsidiary. The primary business model and

purchase and sale of goods remain unchanged, generating zero incremental risk to overall shareholders' equity.

With the exception of the aforementioned subsidiaries, no mergers or acquisitions took place for the remaining primary investee companies of the Company in the most recent year up to the date of publication of the 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 2018, major capital expenditures were on the research and development building and the quality control laboratory, which were required to support the business growth of the Company. As business is still expanding, the newly acquired research and development building and quality assurance laboratory shall be effectively utilized to benefit the future operations. If the sales volume is below expected, the negative impacts may include idling of production capacity and increased production costs. Therefore, the Company should focus on securing market sales to improve the capacity utilization rate.

D. Information services

In 2018, 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, 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. The largest supplier accounted for 28.92% of total purchases, while the largest customer accounted for 15.02% of total sales. The risk of excessively concentrated of purchase or sale was acceptable.

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 2018.

(11) Impacts, risks, and response measures pertaining to changes in ownership: There was no change in ownership in 2018.

(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 conclude on page 185 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:

Based on the business needs, each company established a series of stringent and appropriate information security measures to avoid information security incidents, such as hacking, personal information leakage, virus intrusion, and network abuse; and to reduce compensation, fines, and goodwill damage derived from the information security incidents. Each company reviewed information security policies, implemented information security assessments, organized information security exercises and training to ensure the appropriateness and effectiveness of information security mechanisms. With the rapid development of information security issues and hacking techniques, a robust protection system can not guarantee the long-lasting and complete avoidance of information security risks of arbitrary attacks from any third parties. In addition, to assure the Company's sustainable operation, the information system structure includes the highly available remote host and data backup mechanisms based on the level of risk to ensure that services are uninterrupted; drills in the disaster backup system are also conducted from time to time to ensure the normal operation of the information system and reduce system interruption caused by unpredictable natural disasters and human neglect.

In 2018 and up to the date of publication of the Annual Report, no cyber attacks or incidents that had a material adverse effect on the Company's business and operations took place, and the Company was not involved in any legal cases or regulatory actions arising therefrom.

7. Other important issues: None

VIII. Special Disclosure

1. Affiliated companies

(1) Consolidated business report of affiliated companies

1. Organization structure of affiliated companies (December 31, 2018)

Controlling Company	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage
Mercuries Investment Holdings, Ltd.	Mercuries & Associates, Ltd.	100%	Mercuries Foodservice Japan, Ltd.	98.46%		
			Family Shoemart Co., Ltd.	13.33%		
			Mercuries Leisure Co., Ltd.	2.81%		
			Mercuries Life Insurance Co., Ltd.	0.05%		
	Simple Mart Retail Co., Ltd.	69.29%	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. (Note 1)	100%	Mercuries Leisure Co., Ltd.	9.49%		
			Mercuries FoodService (continued at Part 1)	45.74%		
			Mercuries Life Insurance Co., Ltd.	0.58%		
			Mercuries F&B Consulting Co., Ltd. (Note 2)	97%		
	Mercuries Life Insurance Co., Ltd.	41.51%				
	Mercury Fu Bao Co., Ltd.	100%	Mercuries Life Insurance Co., Ltd.	2.69%		
			Mercuries Leisure Co., Ltd.	5.23%		
			SCI Pharmtech Inc. (continued at Part 3)	1.21%		
			Asiandawn Venture Inc	74.34%		
			Mercuries FoodService (continued at Part 1)	7.62%		
			Wayia.Com Inc. (Note 5)	1.71%		
			Hipact Tech Inc.	5.17%		
			Mercuries Foodservice Japan, Ltd.	1.54%		
			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. (Note 5)	1.81%					
Mercuries Liquor & Food Co., Ltd.	100%	Shang Rih Co., Ltd.	100%	Japan Mercuries Food Co., Ltd.	100%	
Mercuries Furniture Co., Ltd.	100%	Mercuries Life Insurance Co., Ltd.	0.49%			
SCI Pharmtech Inc. (continued at Part 3)	31.75%					
Mercuries Bakery Co., Ltd.	100%	Mercuries FoodService (continued at Part 1)	21.33%			
Mercuries Life Insurance Agency Co. Ltd.	100%					
Tasty Noodle Co., Ltd.	100%	Mercuries FoodService (Shanghai) Co., Ltd.	52.63%	Mercuries (Shanghai) Ltd.	F&B Co., 100%	
Family Shoemart Co., Ltd.	86.67%	Shanghai Fu Trade Co., Ltd.	66.73%			
Mercuries FoodService (continued at Part 1)	25.31%					
Asiandawn Venture Inc.	16.62%					

Organization structure of affiliated companies - continued (December 31, 2018)

Controlling Company	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage
Mercuries Food Service (continued at Part 1)	Mercuries FoodService (Shanghai) Co., Ltd	47.37%	Mercuries (Shanghai) Co., Ltd. (Note 3)	100%	F&B Ltd.	
	Shanghai Fu Trade Co., Ltd.	26.69%				
	Mercuries Bakery (Shanghai) Limited Company	100%	Shanghai Bakery Café Limited Company (Note 4)	100%		
			Shanghai Fu Trade Co., Ltd.	6.58%		
Mercuries Data Systems Ltd. (MDS) (continued at Part 2)	Wayia.Com Inc. (Note 5)	58.33%				
	Mercuries Data Systems International Ltd.	100%	Core Info Tech Limited (Hong Kong)	100%	Mercuries Soft (Nanjing) Ltd.	100%
	Mercuries Life Insurance Co., Ltd.	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. (Note 6)	100%	Yushan Pharmaceuticals, Inc.	100%		

Note 1: Napoli Co., Ltd. was renamed Mercuries F&B Co., Ltd. on January 1, 2019, and the change registration was completed on January 30, 2019.

Note 2: The incorporation registration of Mercuries F&B Consulting Co., Ltd. was completed on February 14, 2019.

Note 3: The cancellation registration of Mercuries F&B (Shanghai) Co., Ltd. was completed on January 16, 2019.

Note 4: The cancellation registration of Shanghai Bakery Café Limited Company was completed on February 22, 2019.

Note 5: The dissolution registration of Wayia.Com Inc. was completed on November 19, 2018, and the liquidation was completed on March 15, 2019.

Note 6: The Board of Directors resolved to dissolve Yushan Holding Universal Ltd. on March 13, 2019 and transfer its wholly owned subsidiary, Yushan Pharmaceuticals, Inc., to SCI Pharmtech Inc. at net book value.

2. Basic information on affiliated companies

Unit: Thousand NTD; December 31, 2018

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business or Products
Mercuries & Associates, Ltd.	January 27, 2015	B1 and 1F~18F, Section 2, Jianguo North Road, Taipei City	700,000 (Note 1)	Domestic and international well-known brands of footwear, apparel and related accessories
Simple Mart Retail Co., Ltd.	February 7, 2013	B1, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City	530,966	Purchasing and sale 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	Lease, purchasing, and sale of machinery and equipment
Napoli Co., Ltd. (Note 2)	December 7, 1996	11F, No. 145, Section 2, Jianguo North Road, Taipei City	(Note 2) 199,500	Pizza and fried chicken franchise
Mercuries Life Insurance Co., Ltd.	June 12, 1993	3F, No. 6, Section 3, Minquan East Road, Zongshan District, Taipei City	23,719,715	Personal insurance
Mercury Fu Bao Co., Ltd.	June 20, 1979	11F, No. 145, Section 2, Jianguo North Road, Taipei City	2,362,600	Purchasing, sale, and distribution of beverages and tobacco
Mercuries FoodService Japan, Ltd.	February 28, 2014	Room D, 2F, Tama-Plaza Center Building, 5-1-3, Utsukushigaoka, Aoba-ku, Yokohama-shi, Japan	JPY60 million	Retail of food and beverages
Mercuries Data Systems Ltd.	December 9, 1976	4F-3, No. 2, Lane 150, Section 5, Xinyi Road, Taipei City	1,843,145	Purchasing, sale, processing, and installation of computer equipment
Mercuries General Media, Inc.	November 18, 1988	2F, No. 145, Section 2, Jianguo North Road, Taipei City	48,300	Production and distribution of imported videos
Mercuries Leisure Co., Ltd.	September 23, 1989	11F, No. 145, Section 2, Jianguo North Road, Taipei City	711,000	Recreational and entertainment
Hipact Tech Inc.	July 20, 2000	4F-3, No. 2, Lane 150, Section 5, Xinyi Road, Taipei City	2,000	Business management consultation and installation of computer equipment
Wayia.Com Inc. (Note 3)	March 1, 2000	4F-4, No. 2, Lane 150, Section 5, Xinyi Road, Taipei City	210,000	Information software
Mercuries Liquor & Food Co., Ltd.	September 8, 2008	2F, No. 57, Wuquan Road, Wugu District, New Taipei City	200,000	Wholesale of tobacco, alcohol, food and beverages

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business or Products
Mercuries Furniture Co., Ltd.	January 4, 2001	18F, No. 145, Section 2, Jianguo North Road, Taipei City	130,000	Wholesale and retail of furniture
SCI Pharmtech Inc.	September 18, 1987	No. 61, Lane 309, Haihu North Road, Luzhu District, Taoyuan City	794,853	Processing, production, and sale 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 food
Mercuries Life Insurance Agency Co. Ltd.	November 28, 2008	12F-8, No. 2, Lane 150, Section 5, Xinyi Road, Taipei City	5,000	Insurance agency
Tasty Noodle Co., Ltd.	June 22, 2011	Samoa	USD5 million	Investment holding
Family Shoemart Co., Ltd.	June 22, 2011	Samoa	USD7.5 million	Investment holding
Mercuries FoodService Co., Ltd.	July 28, 2005	Samoa	USD19.68 million	Investment holding
Asiandawn Ventures Inc.	December 2, 1994	Sea Meadow House Blackburne Highway, P.O. Box 116, Road Town, Tortola British Virgin Islands	USD28.63 million	Investment holding
Zfranchises Taiwan, PTE. LTD	September 16, 2014	British Virgin Islands	50,081	Retail of food and beverages
Simple Mart Plus Co., Ltd.	December 13, 2007	8F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	60,000	Retail of food and beverages
Mercuries Data Systems International Ltd.	August 1, 2000	British Virgin Islands	USD18.01 million	Investment holding
Mercuries Information Systems International Co., Ltd.	April 13, 2010	4F-4, No. 2, Lane 150, Section 5, Xinyi Road, Xinyi District, Taipei City	3,000	Information software, hardware, and processing
IT UNION Limited	July 25, 2003	Samoa	—	Purchasing and sale of electronic equipment
Shang Rih Co., Ltd.	May 25, 2009	2F, No. 57, Wuquan Road, Wugu District, New Taipei City	6,000	Wholesale of tobacco, alcohol, food and beverages
Yushan Holding Universal Ltd. (Note 4)	November 12, 2013	4F, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands	374,711	Investment holding
Mercuries FoodService (Shanghai) Co., Ltd	September 22, 2005	Room 116, Building 1, No. 488, Eshan Road, Pilot Free Trade Zone, Shanghai City	USD9.5 million	Food and beverages management
Shanghai Fu Trade Co., Ltd.	August 4, 2008	Part of 3F, No. 393, Changshou Road, Putuo District, Shanghai City	USD11.24 million	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	USD12.18 million	Production of bakery food

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business or Products
Mercuries F&B (Shanghai) Co., Ltd. (Note 5)	May 20, 2010	No. 1838, Sichuan North Road, Hongkou District, Shanghai City	RMB4.80 million	Retail of food and beverages
Shanghai Bakery Café Limited Company (Note 6)	January 25, 2010	Room 1089, Building 2, No. 700, Jiahao Road, Jiading District, Shanghai City	RMB20.9 million	Retail of food and beverages
Yushan Pharmaceuticals, Inc.	June 24, 2013	No. 61, Lane 309, Haihu North Road, Luzhu District, Taoyuan City	371,000	Research and development, production, and sale of APIs and formulations
Core Info Tech Limited (Hong Kong)	August 23, 2000	29th Floor Wing On Centre 111 Connaught Road Central Hong Kong	USD18.1 million	Investment holding
Mercuries Soft (Nanjing) Ltd.	December 26, 2002	No. 359, Jiangdong Zhong Road, Jianyou District, Nanjing City (10F, No. 1, Zone B, Guorui Daxia Building)	USD21 million	Development, production, and sale of computer software and mailing software; management of proprietary products; IT consultancy services
Japan Mercuries Food Co., Ltd.	June 1, 2018	2F, Tama-Plaza Center Building, 5-1-3, Utsukushigaoka, Aoba-ku, Yokohama-shi, Kanagawa, Japan	JPY7.5 million	Trade
Mercuries F&B Consulting Co., Ltd. (Note 7)	February 14, 2019	11F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	20,000	Retail of food and beverages and consulting services

Note1. Mercuries & Associates, Ltd. spun off its food retail business to Mercuries F&B Co., Ltd. and reduced capital by NT\$300 million on January 1, 2019. Paid-in capital was reduced to NT\$400 million. The change registration of the spin-off case was completed on January 30, 2019.

Note2. Napoli Co., Ltd. received the food retail business from Mercuries & Associates, Ltd. and increased capital by NT\$200 million on January 1, 2019. Paid-in capital was increased to NT\$399.5 million; in addition, Napoli Co., Ltd. was renamed Mercuries F&B Co., Ltd. The change registration of the spin-off case was completed on January 30, 2019.

Note3. The dissolution registration of Wayia.Com Inc. was completed on November 19, 2018, and the liquidation was completed on March 15, 2019.

Note4. The Board of Directors resolved to dissolve Yushan Holding Universal Ltd. on March 13, 2019 and transfer 100% equity of Yushan Pharmaceuticals, Inc. to SCI Pharmtech Inc. at net book value.

Note5. The cancellation registration of Mercuries F&B (Shanghai) Co., Ltd. was completed on January 16, 2019.

Note6. The cancellation registration of Shanghai Bakery Café Limited Company was completed on February 22, 2019.

Note7. The incorporation registration of Mercuries F&B Consulting Co., Ltd. was completed on February 14, 2019.

3. Overall business scope of every affiliated enterprises:

Company name	Primary Business or Products
Mercuries & Associates, Ltd.	Domestic and international well-known brands of footwear, apparel and related accessories
Simple Mart Retail Co., Ltd.	Purchasing and sale 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.	Lease, purchasing, and sale of machinery and equipment
Mercuries F&B Co., Ltd.	Pizza and fried chicken franchise
Mercuries Life Insurance Co., Ltd.	Personal insurance
Mercury Fu Bao Co., Ltd.	Purchasing, sale, and distribution of beverages and tobacco
Mercuries FoodService Japan, Ltd.	Retail of food and beverages
Mercuries Data Systems Ltd.	Purchasing, sale, processing, and installation of computer equipment
Mercuries General Media, Inc.	Production and distribution of imported videos
Mercuries Leisure Co., Ltd.	Recreational and entertainment
Hipact Tech Inc.	Business management consultation and installation of computer equipment
Wayia.Com Inc. (Note 1)	Information software
Mercuries Liquor & Food Co., Ltd.	Wholesale of tobacco, alcohol, food and beverages
Mercuries Furniture Co., Ltd.	Wholesale and retail of furniture
SCI Pharmtech Inc.	Processing, production, and sale of active pharmaceutical ingredients (APIs) and API intermediates
Mercuries Bakery Co., Ltd.	Production of baked food
Mercuries Life Insurance Agency Co. Ltd.	Insurance agency
Tasty Noodle Co., Ltd.	Investment holding
Family Shoemart Co., Ltd.	Investment holding
Mercuries FoodService Co., Ltd.	Investment holding
Asiandawn Ventures Inc.	Investment holding
Zfranchises Taiwan, PTE. LTD	Retail of food and beverages
Simple Mart Plus Co., Ltd.	Retail of food and beverages
Mercuries Data Systems International Ltd.	Investment holding
Mercuries Information Systems International Co., Ltd.	Information software, hardware, and processing
IT UNION Limited	Purchasing and sale of electronic equipment
Shang Rih Co., Ltd.	Wholesale of tobacco, alcohol, food and beverages
Yushan Holding Universal Ltd. (Note 2)	Investment holding
Mercuries FoodService (Shanghai) Co., Ltd	Food and beverages management
Shanghai Fu Trade Co., Ltd.	Daily commodities and food retail
Mercuries Bakery (Shanghai) Limited Company	Production of bakery food
Mercuries F&B (Shanghai) Co., Ltd. (Note 3)	Retail of food and beverages
Shanghai Bakery Café Limited Company (Note 4)	Retail of food and beverages
Yushan Pharmaceuticals, Inc.	Research and development, production, and sale of APIs and formulations
Core Info Tech Limited (Hong Kong)	Investment holding
Mercuries Soft (Nanjing) Ltd.	Development, production, and sale of computer software and mailing software; management of proprietary products; IT consultancy services
Japan Mercuries Food Co., Ltd.	Trade
Mercuries F&B Consulting Co., Ltd. (Note 5)	Retail of food and beverages and consulting services

Note 1 : The dissolution registration of Wayia.Com Inc. was completed on November 19, 2018, and the liquidation was completed on March 15, 2019.

Note 2 : The Board of Directors resolved to dissolve Yushan Holding Universal Ltd. on March 13, 2019 and transfer 100% equity of Yushan Pharmaceuticals, Inc. to SCI Pharmtech Inc. at net book value.

Note 3 : The cancellation registration of Mercuries F&B (Shanghai) Co., Ltd. was completed on January 16, 2019.

Note 4 : The cancellation registration of Shanghai Bakery Café Limited Company was completed on February 22, 2019.

Note 5 : The incorporation registration of Mercuries F&B Consulting Co., Ltd. was completed on February 14, 2019.

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

Unit: Thousand shares; % December 31, 2018

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries & Associates, Ltd. (Note1)	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	70,000 (Note1)	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	36,789	69.29%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li 、 Wong,Wei-Chyun and Chiu,Kuang-Lung		
	Director	Representative(s) of institutional shareholders of Sumitomo Corporation : Shinji Sumiya 、 Yuma Miyata	11,810	22.24%
	Independent director	Tsay-Lin Lin 、 Yen-Hsun Chen 、 Wen-Jeoung Chen	0	--
Mercuries Harvest Co., Ltd. (Note2)	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. (Note3)	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	19,950 (Note3)	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	984,650	41.51%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li, Wang,Chih-Hua, Wong,Tsui-Chun, Chen,Kuang-Hung (Note4)and Hsu,Ching-Hsin		
	Independent director	Cheng,Chun-Nong	0	--
	Independent director	Lin,Hsia-Ju	0	--
	Independent director	Tsai,Cheng-Hsien	0	--
	General Manager	Chunkwan Alfred Cheung	1,075	0.05%
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	0	--
	Director	Kosaka Kenichi		
	Director	Cheng Hsuan Hui		
Mercuries Data Systems Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Chung	98,505	53.44%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Li, Chen,Wen-Chu, Chung,Cheng-Ping, and Tang,Te-Cheng		
	Independent director	Shen,Shang-Hung 、 Lin,Ming-Sheng	0	--
	Supervisor	Chao,Yuan-Chi	0	--
	Supervisor	Yang,Li-Yun	46	0.03%
	Supervisor	Wang,Chih-Hua	0	--
	General Manager	Chen,Shiang-Chung	532	0.29%
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	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLD : Lin,Chien-Hsiung 、 Wang,Chih-Hua 、 Chen,Shiang-Feng	4,200	86.96%
	Supervisor	Yang,Li-Yun	0	--
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	0	--
Hipact Tech Inc.	Chairman	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chen,Shiang-Chun	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	0	--
Wayia.Com Inc. (Note5)				
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		

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries Furniture Co., Ltd. (Note6)	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen,Shiang-Feng	13,000	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	Tu,Te-cheng	0	--
	Independent director	Wu,Hung-Chih	0	--
	Independent director	Chen,Chia-Chun	0	--
	General Manager	Wong,Wei-Chyun	437	0.55%
Mercuries Bakery Co., Ltd. (Note7)	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	500	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	--	--
Tasty Noodle Co., Ltd.	Director	Chen,Shiang-Li	--	--
Family Shoemart Co., Ltd.	Director	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	--	100.00%
YuShan Holding Universal Ltd. (Note8)	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%
Shanghai Fu Trade Co., Ltd.	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. : Zhu Jie	--	66.73%
	Director	Representative(s) of institutional shareholders of Mercuries Bakery (Shanghai) Limited Company : Lin,Chien-Hsiung	--	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	--	--
Mercuries F&B (Shanghai) Co., Ltd. (Note9)	Director	Representative(s) of institutional shareholders of Mercuries FoodService Co., Ltd.: Lin,Chien-Hsiung	--	100.00%
Shanghai Bakery Café Limited Company (Note10)	Director	Representative(s) of institutional shareholders of Mercuries FoodService (Shanghai) Co., Ltd.: 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 (Hong Kong)	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		

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Japan Mercuries Food Co., Ltd.	Director	Chen,Kuang-Hung	0	--
Mercuries F&B Consulting Co., Ltd. (Note11)	Chairman	Representative(s) of institutional shareholders of Mercuries F&B Co., Ltd.: Chen,Shiang-Feng	1,940	97%
	Director	Representative(s) of institutional shareholders of Mercuries F&B Co., Ltd.: Lin,Chien-Hsiung		
	Director	Representative(s) of institutional shareholders of Inshokutenhanjoukai Co., Ltd. : KASAKA HAJIME	60	3%
	Supervisor	Yang,Li-Yun	0	--

Note1 : Mercuries & Associates, Ltd. spun off its food retail business to Mercuries F&B Co., Ltd. and reduced capital by NT\$300 million on January 1, 2019. Paid-in capital was reduced to NT\$400 million. The change registration of the spin-off case was completed on January 30, 2019.

Note2 : Mercuries Harvest Co., Ltd., amended the articles of incorporation in 2019, chose not to have the board of directors and supervisors, and appointed Chen, Hsiang-Pin as the director and chairman. The change registration of the above was completed on February 25, 2019.

Note3 : Napoli Co., Ltd. received the food retail business from Mercuries & Associates, Ltd. and increased capital by NT\$200 million on January 1, 2019. Paid-in capital was increased to NT\$399.5 million; in addition, Napoli Co., Ltd. was renamed Mercuries F&B Co., Ltd. The change registration of the spin-off case was completed on January 30, 2019.

Note4 : Chen, Chin-Tsai was reappointed as the representative of a juristic person on January 10, 2019.

Note5 : The dissolution registration of Wayia.Com Inc. was completed on November 19, 2018, and the liquidation was completed on March 15, 2019.

Note6 : Mercuries Furniture Co., Ltd., amended the articles of incorporation in 2019, chose not to have the board of directors and supervisors, and appointed Chen, Hsiang-Pin as the director and chairman. The change registration of the above was completed on February 1, 2019.

Note7 : Mercuries Bakery Co., Ltd., amended the articles of incorporation in 2019, chose not to have the board of directors and supervisors, and appointed Chen, Hsiang-Pin as the director and chairman. The change registration of the above was completed on February 23, 2019.

Note8 : The Board of Directors resolved to dissolve Yushan Holding Universal Ltd. on March 13, 2019 and transfer 100% equity of Yushan Pharmaceuticals, Inc. to SCI Pharmtech Inc. at net book value.

Note9 : The cancellation registration of Mercuries F&B (Shanghai) Co., Ltd. was completed on January 16, 2019.

Note10 : The cancellation registration of Shanghai Bakery Café Limited Company was completed on February 22, 2019.

Note11 : The incorporation registration of Mercuries F&B Consulting Co., Ltd. was completed on February 14, 2019.

5. Business operating conditions of the affiliated enterprises

Unit: NT\$, December 31, 2018

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. (Note1)	700,000	2,702,590	1,762,477	940,113	6,710,020	304,058	227,909	3.26
Simple Mart Retail Co., Ltd.	530,966	3,284,263	2,071,643	1,212,620	11,965,028	218,199	177,643	3.58
Mercuries Harvest Co., Ltd.	90,000	130,088	484	129,604	0	(112)	3,718	0.41
Napoli Co., Ltd. (Note2)	199,500	633,455	281,611	351,844	1,609,361	206,662	157,596	3.95
Mercuries Life Insurance Co., Ltd.	23,719,715	1,143,823,929	1,117,728,277	26,095,652	167,844,489	(1,658,280)	(312,413)	(0.14)
Mercury Fu Bao Co., Ltd.	2,362,600	2,901,300	72,862	2,828,438	159,040	(48,098)	(22,702)	0.10
Mercuries Foodservice Japan, Ltd.	JPY60,000 仟元	29,332	2,930	26,402	15,891	(22,001)	(26,135)	--
Mercuries Data Systems Ltd.	1,843,145	4,250,290	2,108,661	2,141,629	3,324,649	128,546	115,565	0.63
Mercuries General Media, Inc.	48,300	106,838	10,227	96,611	24,508	2,144	7,807	1.62
Mercuries Leisure Co., Ltd.	711,000	675,080	100	647,980	0	(2,214)	(2,156)	(0.03)
Hipact Tech Inc.	2,000	10,068	1,520	8,548	343	58	94	0.47
Wayia.Com Inc. (Note3)	210,000	27,499	135	27,364	0	(275)	(76)	0
Mercuries Liquor & Food Co., Ltd.	200,000	239,575	64,227	175,348	333,459	(60,709)	(29,997)	(1.50)
Mercuries Furniture Co., Ltd.	130,000	294,409	207,437	86,972	531,181	(5,578)	(6,573)	(0.51)
SCI Pharmtech Inc.	794,853	3,788,979	578,748	3,210,231	1,939,913	516,743	447,237	5.63
Mercuries Bakery Co., Ltd.	32,092	30,798	100	30,698	0	(107)	(919)	(0.29)
Mercuries Life Insurance Agency Co. Ltd.	5,000	21,634	1,472	20,162	141,585	9,770	7,769	15.54
Tasty Noodle Co., Ltd.	USD 5,000 仟元	3,986	0	3,986	0	0	1,379	--
Family Shoemart Co., Ltd.	USD 7,500 仟元	22,945	0	22,945	0	0	(14,662)	--
Mercuries FoodService Co.,Ltd.	USD 19,678 仟元	39,052	2	39,050	0	0	(4,208)	--
Asiandawn Ventures Inc.	USD 28,631 仟元	51	6,691	(6,640)	0	0	(1)	--
Zfranchises Taiwan, PTE. LTD	50,081	15,704	0	15,704	(4,190)	(255)	(244)	--
Simple Mart Plus Co., Ltd.	60,000	57,637	2,953	54,684	113,426	(7,061)	(5,316)	(0.89)
Mercuries Data Systems International Ltd.	536,697	284,815	2,012	282,803	0	0	(28,318)	--
Mercuries Information Systems International Co., Ltd.	3,000	1,735	45	1,690	331	7	8	0.03
IT UNION Limited	0	0	0	0	0	0	0	--
Shang Rih Co., Ltd.	6,000	3,894	0	3,894	0	(143)	(1,148)	--
YuShan Holding Universal Ltd. (Note4)	374,711	354,689	0	354,689	0	(194)	(916)	--
Mercuries FoodService (Shanghai) Co., Ltd	USD 9,500 仟元	7,573	0	7,573	0	399	2,625	--
Shanghai Fu Trade Co., Ltd.	USD 11,240 仟元	35,870	1,483	34,387	9,271	(20,896)	(21,972)	--
Mercuries Bakery (Shanghai) Limited Company	USD 12,178 仟元	26,081	0	26,081	0	414	414	--
Mercuries F&B (Shanghai) Co., Ltd. (Note5)	0	0	0	0	0	0	434	--

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\$)
Shanghai Bakery Café Limited Company (Note6)	0	0	0	0	0	0	(90)	--
Yushan Pharmaceuticals, Inc.	371,000	352,000	100	351,900	0	(984)	(822)	(0.02)
Core Info Tech Limited (Hong Kong)	539,380	283,906	0	283,906	0	0	(28,322)	--
Mercuries Soft (Nanjing) Ltd.	719,575	288,524	8,762	279,762	28,718	(30,900)	(28,335)	--
Japan Mercuries Food Co., Ltd.	JPY 7,500仟元	4,595	1,452	3,143	981	(980)	(1,011)	--

Note1 : Mercuries & Associates, Ltd. spun off its food retail business to Mercuries F&B Co., Ltd. and reduced capital by NT\$300 million on January 1, 2019. Paid-in capital was reduced to NT\$400 million. The change registration of the spin-off case was completed on January 30, 2019.

Note2 : Napoli Co., Ltd. received the food retail business from Mercuries & Associates, Ltd. and increased capital by NT\$200 million on January 1, 2019. Paid-in capital was increased to NT\$399.5 million; in addition, Napoli Co., Ltd. was renamed Mercuries F&B Co., Ltd. The change registration of the spin-off case was completed on January 30, 2019.

Note3 : The dissolution registration of Wayia.Com Inc. was completed on November 19, 2018, and the liquidation was completed on March 15, 2019.

Note4 : The Board of Directors resolved to dissolve Yushan Holding Universal Ltd. on March 13, 2019 and transfer 100% equity of Yushan Pharmaceuticals, Inc. to SCI Pharmtech Inc. at net book value.

Note5 : The cancellation registration of Mercuries F&B (Shanghai) Co., Ltd. was completed on January 16, 2019.

Note6 : The cancellation registration of Shanghai Bakery Café Limited Company was completed on February 22, 2019.

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

- (1) Endorsements and guarantees for the affiliated enterprise: Refer to page 223 of the Chinese annual report.
- (2) Capital loans of the affiliated enterprises: Refer to page 222 of the Chinese annual report.
- (3) Derivatives trading of the affiliated enterprises: Refer to page 296 of the Chinese annual report.

(2) Consolidated financial statements of affiliated enterprises

Statement

We hereby state that for 2018 (from January 1, 2018 to December 31, 2018), 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 29, 2019

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; % March 31, 2019

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 2018 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%	2018	—	—	—	2,649 \$47,280	None	None	None
				Up to the publication date of this report in 2019	—	—	—	2,649 \$47,545	None	None	None
Mercuries Harvest Co., Ltd.	90,000	Disposal funds	100.00%	2018	—	—	—	5,117 \$91,341	None	None	None
				Up to the publication date of this report in 2019	—	—	—	5,117 \$91,852	None	None	None
Mercury Fu Bao Co., Ltd.	2,362,600	Disposal funds	100.00%	2018	—	—	—	39,986 \$713,756	None	None	None
				Up to the publication date of this report in 2019	—	—	—	39,986 \$717,755	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 2018.

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

For details on major accounting policies, refer to pages 119 to 143 the Chinese annual report.

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

	2018	2017
<hr/>		
Operation and profitability		
<hr/>		
Profit ratio (%)	0.22	1.42
Earnings per share (NT\$)	0.43	2.11
Return on equity (%)	1.40	9.13
Return on total assets (%)	0.05	0.34
<hr/>		
Solvency		
<hr/>		
Current ratio (%)	1,237.39	1,072.93
Quick ratio (%)	1,201.98	1,041.62

(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	√		√	√	√	√	√	√	
Mao,Ming-Yu	Male	√		√	√	√	√	√	√	
Fang,Cheng-Yi	Male	√	√	√	√	√	√	√	√	
Cheng,I-Teng	Male	√	√	√	√	√	√	√	√	
Chen,Hsiang-chung	Male	√		√	√	√	√	√	√	
Weng,Wei-chun	Male	√		√	√	√	√	√	√	
Tu,Te-cheng	Male	√	√	√	√	√	√	√	√	
Lee,Mao	Male	√	√	√	√	√	√	√	√	
Jeffrey Chen	Male	√	√	√	√	√	√	√	√	

Note: Each Director has the following industrial knowledge:

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

Mao,Ming-Yu and Fang,Cheng-Yi: Retail of daily commodities and food.

Chen,Hsiang-chung: Information systems.

Weng,Wei-chun: Pharmaceuticals.

Cheng,I-Teng : Finance, taxes, and invested businesses.

Lee,Mao: Finance, taxes, and banking.

Jeffrey Chen: Finance and technology.

Tu,Te-cheng : Finance and banking.

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 2018 and up to the printing date of this annual report.

Mercuries & Associates Holding, Ltd.

Chairman: Chen, Shiang-Li