

**Stock Number: 2905**

# **Annual Report 2019**

## **Mercuries & Associates Holding, Ltd.**

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# Table of Contents

<b>I. Letter to Shareholders</b>	01
<b>II. Company Profile</b>	06
1. Date of founding	06
2. Company history	06
<b>III. Corporate Governance Report</b>	10
1. Organization	10
2. Board of directors, general managers, assistant general managers, deputy assistant general managers and the supervisors of all the Company's divisions and branch units	11
3. Remuneration paid out to directors, the general managers, and assistant general managers	23
4. Implementation of corporate governance	27
5. Information on the CPA's fees	59
6. Replacement of accountants	60
7. Company's chairman, general managers, 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	61
8. Equity transfer or changes to equity pledge of directors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report	61
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	62
10. Number of shares held and percentage of stake of investment in other companies by the company, the company's director, managerial officer, or an entity directly or indirectly controlled by the company, and calculations for the consolidated shareholding percentage of the above categories	64
<b>IV. Capital Overview</b>	65
1. Capital and shares	65
2. Corporate bonds	71
3. Preferred shares	71
4. Global depositary receipt	71
5. Employee stock options	71
6. Status of restricted employee shares	71
7. Issuance of new shares in connection with the merger or acquisition of other companies	71
8. Financing Plans and Implementation	71

<b>V. Operational Highlights</b>	72
1. Business activities	72
2. Market and sales overview	91
3. Information of employees for the 2 most recent years	110
4. Environmental protection expenditure	111
5. Labor relations	113
6. Important contracts	116
<b>VI. Financial Information</b>	117
1. Five-year financial summary	117
2. Five-year financial analysis	121
3. Audit Committee' review report for the most recent year	124
4. Consolidated financial statements for the years ended December 31, 2019 and 2018, and independent auditors' report	126
5. Individual financial statements for the years ended December 31, 2019 and 2018, and independent auditors' report	126
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	126
<b>VII. Review of Financial Conditions, Operating Results, and Risk Management</b>	127
1. Financial position	127
2. Financial performance	127
3. Cash flow	128
4. Major capital expenditure items	129
5. Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year	129
6. Risk analysis and assessment	130
7. Other important issues	139
<b>VIII. Special Disclosure</b>	140
1. Affiliated enterprises	140
2. Private placement securities of the most recent year up to the date of this report printed	153
3. The Shares in the Company Held or Disposed of by Subsidiaries of the most recent year up to the date of this report printed	153
4. Other items that must be included	154
<b>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</b>	155

## **I. Letter to Shareholders**

Mercuries & Associates Holding, Ltd. (the Company) is an investment holding company, and its joint ventures are mainly in life insurance, retail of daily commodities and food, pharmaceuticals, and information services. In the past year, on the basis of the existing long-term development strategy, the Company has actively optimized the various investment projects. In the future, it will continue to work toward a diversified and multi-market business model, with the aim of achieving professional division of labor and an economy of scale to improve operational performance continuously.

### **I. 2019 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 2019 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 2018, revenue in 2019 increased by 1.2%, and the number of retail stores also increased by 66 to 1,366.

##### **2. Life insurance**

In the first half of 2019, the political and economic factors, including the China-US trade conflict and foreign exchange market turmoil, had led to economic slowdown. Even when the U.S. Fed cut interest rates in the second half of the year and the China-US trade war slowed down, the International Monetary Fund reported in the autumn season that it still revised the 2019 global GDP down to 3%, the lowest level since the financial tsunami. Coupled with the uncertainty of the domestic economy and the impact of changes in the regulatory environment, the environment of the life insurance business was faced with a daunting challenge. As a result, the life insurance business environment is facing a severe test. Mercuries Life Insurance continued to adopt robust and pragmatic operating principles to strengthen market risk management actively and to increase its overall profit through a steady investment strategy. In 108, premiums income from new insurance policies reached NT\$33.9 billion, ranking ninth, and the total premiums income amounted to NT\$148.5 billion, ranking seventh in total.

##### **3. Pharmaceuticals**

During this year, SCI Pharmtech, Inc. continued to achieve a gross profit margin of 40% by optimizing the product assortment and operating leverage, and its revenue and profit increased significantly by 21% and 27%, respectively.

##### **4. Information services industry**

The annual segment revenue of MDS decreased round 8% year on year. However, under the influx of investment income from outside the industry, the overall profit was comparable to that last year.

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

The consolidated operating revenue of NT\$229.3 billion in 2019, an increase of 1.81% compared with 2018, with the budget achievement rate of 111%. In terms of profit, net income attributable to the parent company was NT\$3.495 billion, with earnings per share after tax of NT\$4.48; standalone return on assets was 15.66%; return on equity was 24.19%.

(III) Status of research and development

1. Retail of daily commodities and food

As it was highly competitive in the retail of daily commodities and food, faced with a highly volatile operating environment and consumer demand, the Company continuously adjusted product structures and marketing strategies based on market demand and trends, continued to optimize digitalization, and adopted big data to strengthen management and marketing. In addition, it developed differentiated marketing activities on a store-by-store basis to enhance the competitiveness of individual retail stores, expand market segmentation, strengthen regional competitive advantages, and optimize the brand image comprehensively.

2. Life insurance

Facing the aging society and low interest rates, Mercuries Life Insurance increased the mortality gain and fixed income and enhanced integrated marketing capabilities, developed specific commodities, such as term health insurance, periodic investment products, and retirement planning products, through customer demand analysis, to improve the product lines, develop a diversified and effective product portfolio so as to meet different groups' needs.

3. Pharmaceuticals

SCI Pharmtech's R&D priority was placed on customer needs. After the business department evaluated market supply and demand, the R&D department assessed technological feasibility and patent-related issues before proceeding with research and development. The selection of good projects had a great impact on the business results. In recent years, the R&D manpower has been maintained in a stable state. For projects, it adhered to the principle that quality overweighs quantity. the R&D expenses in 2019 increased by roughly 5.6% from the previous year. 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 2020 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): focus on original developer of the drug supply. We will avoid popular products and select drugs with higher safety and stable sales in addition to having new usage, new formulation or can be further developed into new drugs, or present API that can serve as starting active ingredients for new drugs.
- (2) Intermediates: Our primary goal is to target the original developer of the drug supply, and our second goal is to enter the market for intermediates with high barriers, stringent regulations and quality control, intermediates relevant to the Company's core technologies, intermediates for which we have strategic partners, 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: to correspond to client needs, SCI Pharmtech produces and sales digitized specialty chemicals with high standards of the pharmaceutical industry. We develop pharmaceutical production processes, customized services and can mass produce for our clients.

### 4. 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. The effect of external competition, the regulatory environment, and the overall business environment

#### (I) Impact of external competition

With the application of technology and the Internet, the management, marketing, manufacturing, and sales and development in all walks of life, as well as the lifestyles related to clothing, food, housing, transportation, education, and entertainment in individuals' daily life, are all subject to the influence of digitalization and information security. Either for the life insurance industry, pharmaceutical industry, retail of daily commodities and food, or information services, in addition to providing differentiated products, high-quality and fast services, they must meet the rapid changes in the industrial structure and face changing competition patterns in the market and changes in customers' habits. Hopefully, effective countermeasures will be put forward to reduce the impact of the external competitive environment through identification and evaluation of risks that may affect operations.

#### (II) Regulatory Environment

The issues, including the enhancement of corporate social responsibility, the rise of employee awareness, protection of public environment, food safety, and corporate governance have become increasingly important in today's rapidly developing and ever-changing society. For business operations, there are numerous laws and regulations. The life insurance industry focuses on the attention to and implementation of money laundering prevention, corporate governance, and fair hospitality. In order to improve the operation and development of the insurance industry, the Financial Supervisory Commission will implement measures to strengthen the financial business of life insurance in 2020, including the cutting of the policy reserve interest rate in various currencies in January 2020, the implementation of the supervision indicators for the net worth and the minimum ratio of the death coverage to the policy account value in April and July, respectively, as well as the contractual service margin (CSM) test for the policy in accordance with IFRS17 ). This has clearly indicated that the competent authority attaches great importance to the financial soundness of insurance companies and protection-based products. The pharmaceutical industry is subject to the management of pharmaceutical regulations, such as the Pharmaceutical Affairs Act and Pharmaceutical Good Manufacturing Practice Regulations. The regulatory environment continues to change and amend, and the European Union, the US, and Japan have also announced and implemented stricter regulations to ensure the quality and safety of drugs, of which data integrity is of paramount importance. In recent years, SCI Pharmtech has gradually digitized its operations management and kept the data track intact. At present, the Quality Control Department is also introducing a Laboratory Information Management System (LIMS) to ensure that the data is faithfully and completely presented. On the front of retail of daily commodities and food, in addition to the common concept of food sanitation and safety, the fire safety inspection laws for retail stores are becoming more stringent, the workplace safety and health, customer health and safety, store waste and wastewater treatment, greenhouse gas emissions, as well as energy conservation and carbon reduction have become important issues for enterprises. The Company employs legal personnel with relevant experience in all business types. In addition to handling legal affairs, implementing the compliance with laws and regulations, and continuing to pay close attention to changes in policies and laws that may affect the Company's finances and business, the Company seeks assistance from external legal experts, strengthens employee



training, complies with relevant laws and regulations, and continues to optimize the business foundation.

### (III) Macroeconomic Environment

Looking back on 2019, the global economy continued to expand. According to the preliminary statistics of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate of Taiwan in 2019 stood at 2.71%, lower than the 2.75% in 2018. 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 grew by 4.09% and 4.39%, respectively.

Looking forward to 2020, the IMF estimated that the global economic growth rate was 3.3% in January 2020, although it was better than 2.9% at the end of last year. However, in February due to the novel coronavirus epidemic, the anxiety and panic have continued to rise. This has constituted an international emergency public health issue, and the forecast has been revised downward to 3.2% again, showing that the current international situation is still in the new normal of three lows and one high, namely low inflation, low interest rates, low growth, and high uncertainty; Taiwan's business climate strategical signal has been at the "green light" level since December 2019, indicating that the economy is growing gradually; however, there are still many uncertain variables affecting the future economy, and we must pay close attention to the subsequent development. The Supervisors and Directors meeting at the end of December last year decided that the rediscount rate of 1.375% would be maintained, the policy interest rate would remain as the past 14 consecutive quarters, and the tone of the monetary policy remained moderately loose. However, with the rise of protectionism, the uncertainty of trade and investment flows, and the slowdown of global economic growth, the overall economic environment is far from optimistic.

### IV. Developmental Strategies for the Company in the Future

Over the past 30 years of development of the Company's major business activities, in the face of market saturation, changes in time and environment, and industrial competition, the Company has actively pursued innovation and striven to transform itself into a comprehensive enterprise with diversified business activities so as to achieve stable growth, which will help reduce operational risk. After fully considering the changes in the real environment, coupled with a professional management team, the Company aims to provide the public with a consumer environment of happiness in addition to the sectors food, clothing, housing, education, entertainment, while enhancing its brand value.

In the future, the Company will continue to integrate the internal resources of the Group, maintain the core value of the prudent assessment of investment strategies, seek new opportunities and investment plans for investment in alliances between different industries, and expand the company's business through vertical integration and diversified business models while assisting each subsidiary in conducting resource integration, so as to create business synergy. The Company will strive to expand its business territory, create maximum benefits for shareholders, and continue to fulfill its corporate social responsibilities. Hopefully, you will continue to give us your love and 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.<br>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.<br>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.<br>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

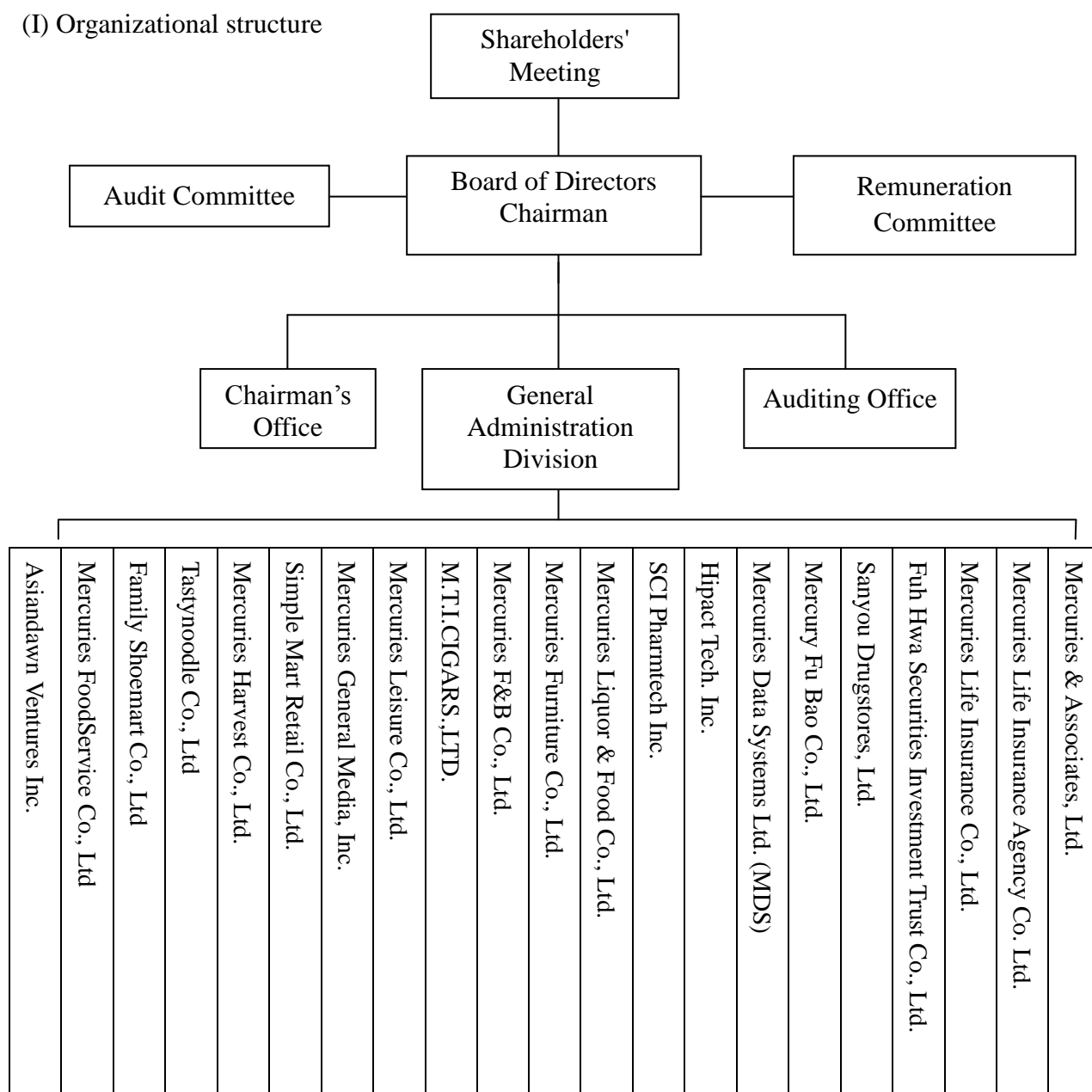
	Mart retailer franchise.
2007	Invested in Mercuries Bakery Co., Ltd. as the agent for the American brand of Dunkin' Donuts as well as a retailer franchise for American snacks.
2008	<p>The subsidiary of Mercuries Bakery became the official agent for the American brand of Dunkin' Donuts in Shanghai, Mainland China.</p> <p>Recapitalization of retained earnings of NT\$ 264.92 million. Capital increased to NT\$ 5,678.65 million.</p> <p>Joint venture with the Japanese company of Asahi Breweries, Ltd. to establish Asahi &amp; Mercuries Co., Ltd.</p> <p>Extinguished treasury stocks and reduced capital by NT\$ 198.91 million. Capital reduced to NT\$ 5,479.74 million.</p>
2010	<p>Recapitalization of retained earnings of NT\$ 269.99 million. Capital increased to NT\$ 5,749.73 million.</p> <p>Invested in Mercuries Life Insurance. Shares held increased from 27.5% to 55.4%.</p>
2011	<p>Short form merger with wholly (100%) owned subsidiary Mercuries Simple Mart International Ltd.</p> <p>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.</p>
2012	<p>Joint venture with the Japanese company of Sumitomo Corporation to establish Sanyou Drugstores, Ltd.</p> <p>Recapitalization of capital reserve of NT\$ 242.59 million. Capital increased to NT\$ 6,307.33 million.</p>
2013	<p>Joint venture with the Japanese company of Monteur Holdings Co., Ltd. to establish Monteur &amp; Mercuries Co., Ltd.</p> <p>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.</p>
2014	<p>Mercuries Food Service Japan, Ltd. established in Japan.</p> <p>Restricted employee stocks worth NT\$ 140,000 canceled. Paid-in capital reduced to NT\$ 6,813.69 million.</p>
2015	<p>Transformed to an investment holding company.</p> <p>The original company name of Mercuries &amp; Associates, Ltd was changed to Mercuries &amp; Associates Holding, Ltd. A separate wholly-owned subsidiary named Mercuries &amp; Associates, Ltd. was established.</p> <p>Restricted employee stocks worth NT\$ 280,000 canceled. Paid-in capital reduced to NT\$ 6,813.41 million.</p>
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. splitted off daily commodities and consumer goods retailer franchises business to its subsidiary Simple Mart Retail Co., Ltd. The Company redeemed the shares of Asahi & Mercuries Co., Ltd. held by Asahi Group Holdings, Ltd., leading to the shareholding ratio of 100% from 50% and Asahi & Mercuries Co., Ltd. was renamed Mercuries Liquor & Food Co., Ltd.  
Recapitalization of retained earnings of NT\$500.78 million. Restricted employee stocks worth NT\$150,000 canceled. Capital increased to NT\$7,654.62 million.
- 2018 Restricted employee stocks worth NT\$160,000 cancelled. Recapitalization of retained earnings of NT\$612.37 million. Capital increased to NT\$8,266.83 million.  
The Company sold 6,810,000 shares of the Simple Mart Retail Co., Ltd. stock at NT\$ 109.1 per share , with a total transaction price of NT\$ 743million.  
Monteur & Mercuries Co., Ltd. has been dissolved.  
Shang Rih Co., Ltd. established Mercuries Liquor & Food Japan Co., Ltd .in Japan.
- 2019 On January 1, Mercuries & Associates, Ltd splitted off and transferred the food business division to the Mercuries F&B Co., Ltd. (formerly known as Napoli Co., Ltd.) and processed a capital reduction of NT\$300 million.  
Mercuries F&B Co., Ltd. established Mercuries F&B Consulting Co., Ltd.  
Shanghai Sanshang Canying Limited Company has been dissolved at January 16, 2019.  
Shanghai Bakery Café Limited Company has been dissolved at February 22, 2019.  
The subsidiary "Yushan Holding Universal Ltd." completed liquidation procedures in May 2019.  
Zfranchises Taiwan, Pte. Ltd. has been dissolved.  
Mercuries Foodservices (Shanghai) Co., Ltd. has been dissolved at October 30, 2019.  
The subsidiary "IT UNION Limited" completed liquidation procedures in November 1, 2019.  
Mercuries Bakery (Shanghai) Limited Company has been dissolved at December 18, 2019.  
Mercuries Bakery Co., Ltd. was renamed M.T.I.CIGARS.,LTD.

### 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

April 20, 2020

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; director of Tasty Noodle, Family Shoemart, Mercuries FoodService, Asiandawn, Mercuries & Associates, Mercuries Data Systems, SCI Pharmtech, Mercury Fu Bao, Mercuries Life Insurance, Simple Mart Retail, Shanglin Investment, Mercuries Liquor & Food, Simple Mart Plus, Mercuries F&B Co., Ltd., Foundation for Taiwan Masters Golf Tournament, and Foundation of Chinese Dietary Culture; chairman of Criminal Investigation and Prevention Association R.O.C; director of R.O.C Taiwan Teeball Association, and executive director of the Chinese Slow Pitch Softball Association. The Company General Manager Note(1)	Director	Chen, Shiang-Chung	Male sibling

Note(1) : Currently, the Chairman and the President are served by the same person. The Chairman served as the head of the Company's former President's Office in 1998. He has been involved in the Company's operation and management for more than 20 years, and is familiarized with and has kept abreast of the Company's investment business. Either experience, professional knowledge, or ability, he is competent and qualified. In addition, more than half of the Company's directors do not serve as employees or managerial officers in the Company; thus, the number of independent directors will be increased based on the needs in the future.

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, Shang-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 Tournament Independent Director, Walsin Lihwa Corporation and Teco Image Systems, Inc. Supervisor, Digicentre Company Co., Ltd. Chairman, Special Police Third Headquarter under Taiwan Police Federation Vice Chairman, Crime Investigation and Prevention Association Member of the Association of Friends of the Republic of China Police Member of Audit Committee, Walsin Lihwa Corporation Member of Remuneration Committee, Walsin Lihwa Corporation and Teco Image Systems, Inc.	Chairman	Chen, Shang-Li	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 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; Director, Simple Mart Retail Co., Ltd., Mercuries F&B 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.	-	-	-
Director	Republic of China	Representative of Shanglin 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.	-	-	-

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	Fang, Cheng-Yi	Male	107.06.22	3 years	72.10.03	* 5,961,052	* 0.78%	*3,337,936	* 0.40%	9,938,969	1.20%	0	0	Bachelor of Business, National Taiwan University President, Avnet Asia Pte Ltd., Taiwan Branch	Chairman of De Cheng Culture and Art Foundation; director of , Macronix International, Foundation for Taiwan Masters Golf Tournament and Foundation of Chinese Dietary Culture.	-	-	-

Title	Nationality or place of registration	Name	Gender	Date of appointment	Length of term	Date of first appointment	Shares held when elected (*shares held by the individual and percentage of shares held)		Shares currently held (*shares held by the individual and percentage of shares held)		Shares held by spouse or minor children		Shares held in the name of other persons		Major experience / academic background	Positions currently assumed in this company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relations
Director	Republic of China	Representative of Shanghai Investment Co., Ltd.: Cheng, I-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	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)	Independent director of Sentelic Corporation 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, Mao	Male	107.06.22	3 years	104.06.24	*0	*0	*0	*0	0	0	0	0	Master in China Studies, Tamkang University Director General & Vice Director General, Customs Administration, Ministry of Finance; Director General & Vice Director General, Taipei Customs; Vice Director General, Keelung Customs Associate Professor, Chihlee University of Technology; Assistant Professor, National Taichung University of Science and Technology Member and Chairman of Remuneration Committee, Taiwan Cooperative Financial Holding Co., Ltd. Independent Director, Taiwan Cooperative Bank, Ltd. Member and Chairman of Remuneration Committee, Taiwan Cooperative Bank, Ltd. Member of the Board of Examiners for the 2006 and 2008 Professional and Technical Examinations.	Chairman, Allter Technology Co., Ltd. director of Pan German Universal Motors Ltd. ; independent director of Farglory Free Trade Zone; 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, Te-cheng	Male	107.06.22	3 years	107.06.22	*0	*0	*0	*0	0	0	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 Director of Coretronic Corp. Director of Cayenne's Ark Mobile Co., Ltd. Director of So-Cayenne Mobile Entertainment Co.,Ltd. Independent Director of 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	0	0	Master of Business Administration, University of British Columbia Vice President, Bankers Trust Co., Taipei Branch	Chairperson, Universal Scientific Industrial (USI), Huanwei (USI) Electronics (Shanghai) Co., Ltd., Huanhao (USI) Electronics (Shanghai) Co., Ltd., Huanhong (USI) Electronics (Kunshan) Co., Ltd., Huanquan (USI) Electronics (Kunshan) Co., Ltd., Huandian (USI) Company, and Huanlong (USI) Electric Company. Director, Shanghai Dingwei Real Estate Development Co., Ltd., Shanghai Dingyu Real Estate Development Co., Ltd., Shanghai Dingqi Property Management Co., Ltd., Kunshan Dinghong Property Development Co., Ltd., Shanghai Dingxu Property Management Co., Ltd., ASE Semiconductor Manufacturing Co., Ltd., ASE Test, Inc., ASE Investment Holdings Co., Ltd., ASE Electronics Co., Ltd., ASE Semiconductor (Hong Kong) Co., Ltd., USI Enterprise Limited, Huanxu Technology Co., Ltd., Huanhong Technology Company, Huansheng Electronics (Shenzhen) Co., Ltd., Suzhou ASEN Semiconductor Co., Ltd., Wuxi Tongzhi Microelectronics Co., Ltd., Shanghai Dingfan Department Store Co., Ltd., Huanhong (USI) Electronics Co., Ltd., Shanghai Dinghui Real Estate Development Co., Ltd., ASE Test Limited (Singapore), ASE Test Holdings Ltd., Omniquet Industrial Ltd., ISE Labs, Inc., Super Zone Holdings Ltd., and Huntington Holding International Co., Ltd. Supervisor, ASE (Korea) Inc. Supervisor, ASE (Shanghai) Inc., ASE (Weihai) Inc., and ASE (Kunshan) Inc. Supervisor, ASE Assembly and Test (Shanghai) Ltd. Member of Audit Committee of the Company Member of Remuneration Committee of the Company	-	-	-

(2) Major shareholders of the institutional shareholders

April 20, 2020

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

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

April 20, 2020

Name of the institutional shareholders	Major shareholders of the institutional shareholders	Shareholding percentage
Shanghong Investment Co., Ltd.	Chen, Shiang-Li	23.08%
	Shanglin Investment Co., Ltd.	23.08%
	Chen, Shiang-Chieh	15.90%
	Chen, Shiang-Feng	15.90%
	Chen, Shiang-Chung	11.28%
	Hsu, Chang-Hui	6.14%
	Wang, Te-Pin	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, 2020

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	11	12	
Directors:																
Chen, Shiang-Li			✓						✓			✓		✓		0
Chen, Shiang-Chung			✓						✓	✓		✓		✓		2
Wong, Wei-Chyun			✓						✓	✓	✓	✓	✓	✓		0
Mao, Ming-Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Fang, Cheng-Yi			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng, I-teng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Independent Directors:																
Lee, Mao	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tu, Te-cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jeffrey Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: For any director 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 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, of a managerial officer listed in (1) or any of the persons listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (however, if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (7) Not a director (or a managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (however, if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (8) Not a director (or a managing director), supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company (however, if the specific company or institution holds more than 20% and no more than 50% of the total issued shares of the Company and if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).



- ( 9 ) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation no more than NT\$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.
- ( 10 ) Not a spouse or a relative within the second degree of kinship with any director.
- ( 11 ) Where none of the circumstances in the subparagraphs of Article 30 of the *Company Act* applies.
- ( 12 ) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the *Company Act*.

(4) General Managers, assistant general managers, deputy assistant general managers, and the supervisors of all the Company's divisions and branch units.

April 20, 2020

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	22,805,948	2.76%	0	0	0	0	MBA, Georgetown University  General Manager, Mercuries & Associates Holding, Ltd.	Chairman of Mercuries General Media, Mercuries Leisure, Shanghong Investment; 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, Mercuries F&B Co., Ltd., Shanglin Investment, Mercuries Liquor & Food, Simple Mart Plus, Foundation for Taiwan Masters Golf Tournament, and Foundation of Chinese Dietary Culture; chairman of Criminal Investigation and Prevention Association R.O.C; chairman of R.O.C Taiwan Teeball Association, and executive director of the Chinese Slow Pitch Softball Association	None	None	None
Assistant General Manager and principle financial officer	Republic of China	Wang, Chih-Hua	Male	February 1, 2004 July 17, 2009	167,387	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 Leisure, Mercuries General Media, Mercuries Life Insurance, Jiahong Investment Co., Ltd. and Mercuries Social Welfare And Charity Foundation, Taoyuan County; supervisor of Mercuries & Associates, Mercuries F&B Co., Ltd., Mercuries Data Systems and Like record Co., Ltd.	None	None	None
Assistant General Manager and Principle accounting officer	Republic of China	Chen, Te-Kai	Male	November 14, 2014 July 30, 2009	59,924	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	None	None	None

Since the Company did not (1) suffer losses after tax in individual financial reports in the last three years; (2) have insufficient shareholdings by Directors in the most recent year; (3) have the Directors' pledge ratio in either three months of the most recent year more than 50%; (4) have any Directors who received Directors' compensation accounting for more than 2% of the net profit after tax from companies listed in the financial report nor individual Directors who received compensation of over NT\$15 million; (5) have the evaluation result of corporate governance in the most recent year at the last level, neither has its trading method been changed, trading suspended, or public listing terminated, and the corporate governance evaluation committee did not pass a resolution that an evaluation of the Company would not be conducted in the most recent year and as of the printing date of this annual report; (6) have the fact that the average annual salary of full-time employees who are not holding managerial officer positions in the most recent year has not reached NT\$500,000, the Company can choose to disclose the remuneration of Directors, the President, and the Vice Presidents by means of a remuneration range table with the name disclosed.

## Unit: Thousand NT\$ / Thousand shares

\*Remuneration received in the most recent year by the directors of the Company for rendering services (such as serving as a non-employed consultant) to any company listed in the Financial Report: NTS 720,000. (Remuneration to the Remuneration Committee members of the Company)

Note 2: Except for the disclosure in the table above, the Company's Directors did not receive remuneration for providing services for all companies listed in the financial report this year.

23

Table of remuneration ranges

Each remuneration 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\$ 1,000,000	Representative of Shanglin Investment: Chen, Shiang-Li	-	-	
NT\$ 1,000,000(inclusive) to NT\$ 2,000,000	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: Chen, Shiang-Li, Mao, Ming-Yu and Cheng, I-teng Fang, Cheng-Yi, Lee, Mao 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 and Jeffrey Chen
NT\$2,000,000( inclusive) to NT\$ 3,500,000	Shanglin Investment	Shanglin Investment , Representative of Shanglin Investment: Chen,Shiang-Chung, Representative of Shuren Investment: Wong,Wei-Chyun, Tu,Te-cheng	Shanglin Investment	Shanglin Investment and Tu, Te-cheng
NT\$3,500,000(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	-	-	Representative of Shanglin Investment: Chen, Shiang-Li	Representative of Shanglin Investment: Chen, Shiang-Li and Chen, Shiang-Chung
NT\$ 15,000,000 (inclusive) to NT\$30,000,000	-	-	-	Representative of Shuren Investment: Wong, Wei-Chyun
Other range: NA	-	-	-	-
Total	10	10	10	10

(2) 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 or parent company
		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	7,500	7,500	207	207	12,500	12,500	2,739	0	2,739	0	0.66%	0.66%	0	0	0	0	
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 27, 2020, approved the issuance of employees' compensation of NT\$ 35,500,000.

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\$ 1,000,000	-	-
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000	-	-
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000	-	-
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000	Chen, Te-Kai	Chen, Te-Kai
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	Wang, Chih-Hua	Wang, Chih-Hua
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	Chen, Shiang-Li	Chen, Shiang-Li
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000	-	-
Other range: NA	-	-
Total	3	3

(3)The information of the top five managerial officers with the highest remuneration

As the Company's individual financial reports in the past three years did not suffered losses after tax nor the latest annual corporate governance evaluation results at the last level; the Company did not have its trading method changed, trading suspended, or public listing terminated, and the corporate governance evaluation committee did not pass a resolution that an evaluation of the Company would not be conducted in the most recent year and as of the printing date of this annual report, the information of the top five managerial officers with the highest remuneration will not be disclosed individually.

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

March 31, 2020

	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	2,739	2,739	0.08%
	Assistant General Manager	Wang, Chih-Hua				
	Assistant General Manager	Chen, Te-Kai				

Note: The board meeting of March 27, 2020, approved the issuance of employees' compensation of NT\$ 35,500,000.

Compare and analyze the total remuneration paid to each of the Company's directors, 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	
	2019	2018	2019	2018
Directors and Independent director	0.81%	4.07%	1.59%	11.60%
General Managers and Assistant general managers	0.66%	4.42%	0.66%	4.42%

B. Directors' and Independent directors' 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 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. The proportion of Directors', the President's and the Vice Presidents' remuneration to net profit after tax for this year has decreased significantly compared with last year, mainly because of an increase of 953% in the net profit after tax for this period compared with the previous period.

#### 4. Implementation of corporate governance

##### (1) Implementation of Directors' Meetings

A. A total of 7 Directors' Meetings were held in the most recent fiscal year (2019).

The following lists the attendance of Directors in these meetings:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in Percentage (%)	Note
Chairman	Shanglin Investment Chen, Shiang-Li	7	0	100%	-
Director	Shanglin Investment Chen, Shiang-Chung	5	0	71%	-
Director	Shanglin Investment Mao, Ming-Yu	7	0	100%	-
Director	Shuren Investment Wong, Wei-Chyun	6	0	86%	-
Director	Fang, Cheng-Yi	7	0	100%	-
Director	Shanglin Investment Cheng, I-teng	7	0	100%	-
Independent director	Lee, Mao	7	0	100%	-
Independent director	Tu, Te-cheng	7	0	100%	-
Independent director	Jeffrey Chen	6	1	86%	-

Other items that shall be recorded:

- For any item listed in Article 14 Paragraph 3 of the Securities and Exchange Act as well as any other issues where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ, and have been submitted to the Directors' Meeting for resolution, the date, session, topic discussed, opinions of every independent directors, and the Company's handling of the opinions of the independent directors:
  - Any matter listed in Article 14-3 of the Securities and Exchange Act: Independent directors did not provide any opinions during the 7 board meetings held in 2019.
  - In addition to the aforementioned matters, any other resolutions from the board meetings where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ: None.
- For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process:
  - For the second proposal for the adoption of managers' compensation among the discussion items in the Board meeting on January 22, 2019, Director Chen, Shiang-Li did not participate in the vote due to the conflict of interests.
  - For the 6th proposal for the adoption of directors' compensation among the discussion items in the Board meeting on March 29, 2019, Director Fang, Cheng-Yi did not participate in the vote due to the conflict of interests.
- Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented:
  - For all Directors, the total number of training hours was 72 in 2019.
  - 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):
    - In 2019, the chief internal auditor attended 6 Board meetings as a nonvoting participant to report the results of internal audits and communicate with independent directors face-to-face. In 2019, independent directors provided no recommendations for internal controls.
    - The CPAs attended the Board meetings on March 29, May 15, August 14, and November 14, 2019, and the shareholders' meeting on June 14, 2019 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.
    - Contact information of independent directors, the internal auditor officer, and the CPAs is provided to facilitate communication.

## B. Attendance of independent directors in board meetings in 2019:

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

2019	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Seventh Meeting
Lee, Mao	◎	◎	◎	◎	◎	◎	◎
Tu, Te-cheng	◎	◎	◎	◎	◎	◎	◎
Jeffrey Chen	◎	◎	※	◎	◎	◎	◎

## (2) Operations of the Audit Committee

A total of 5 Audit Committee meetings were held in 2019. The attendance of independent directors is as follows:

Title	Name	Times of in Person Attendance	Times of Proxy Attendance	Attendance rate of in Person (%)	Note
Independent Director	Lee, Mao	5	0	100%	-
Independent Director	Tu, Te-cheng	5	0	100%	
Independent Director	Jeffrey Chen	4	1	80%	-

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
2019.3.29	5th meeting of 1st-term	<p>(1)To approve 2018 Business Report and Financial Statement.</p> <p>(2)To approve the Company's statement of internal control for 2018.</p> <p>(3)Establish a "Rules Governing the scope of Powers of the independent directors", "Standard Operational Protocol for Responding to Requests from Director" and "Implementation of authorization and deputy systems", to amend "Regulations Governing of Internal Control System", "Internal Audit Implementation Rules", "Guidelines for self-assessment of its internal control systems", "Procedures for Acquisition and Disposal of Assets", "Procedures for Endorsement and Guarantee", "Procedures for Lending Funds to Other Parties" and "Self-Evaluation or Peer Evaluation of the Board of Directors".</p> <p>(4)To approve the Company's 2018 earning distribution.</p>	Passed by all independent directors.



		(5)To approve distribution of cash dividends from capital surplus. (6)Review the internal audit report.	
2019.5.15	6th meeting of 1st-term	(1)To approve the independent evaluation of CPAs and approve 2019 audit fees. (2)To approval the Q1 2019 financial statements. (3)Review the internal audit report.	
2019.8.14	7th meeting of 1st-term	(1)Review the internal audit report. (2)To approval the Q2 2019 financial statements.	
2019.11.14	8th meeting of 1st-term	(1)To approval the Q3 2019 financial statements. (2)Review the internal audit report. (3)To amend the Rules and Procedures of Board of Directors Meetings.	
2019.12.20	9th meeting of 1st-term	(1)Review the internal audit report. (2)Review and approval the 2020 audit plan.	

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
2019.3.29	5th meeting of 1st-term	Review the internal audit report.	Discuss 2018 financial statements and communication matters during the completion phase.
2019.5.15	6th meeting of 1st-term	Review the internal audit report.	Discuss Q1 2019 financial statements and communication matters during the completion phase.
2019.8.14	7th meeting of 1st-term	Review the internal audit report.	Discuss Q2 2019 financial statements and communication matters during the completion phase.
2019.11.14	8th meeting of 1st-term	Review the internal audit report. The supervisory responsibility of the parent company's directors on the subsidiary's financial statements.	Discuss Q3 2019 financial statements and communication matters during the completion phase. Communication of the 2019 annual financial statements audit

			plan. The supervisory responsibility of the parent company's directors on the subsidiary's financial statements.
2019.12.20	9th meeting of 1st-term	Review the internal audit report. 2020 audit plan.	

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

Assessed Items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Causes of the Said Gaps
	Yes	No	Summary	
1. Did the Company stipulate and disclose the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and disclosed these Principles on the Market Observation Post System (MOPS) and its official website.	None.
2. Equity structure and shareholders' equity of the Company				
(1) Did the Company establish internal procedures for handling shareholders' proposals, inquiries, disputes, and litigation? Were such matters handled according to these internal procedures?	V		(1) A spokesperson system has been established. The dedicated personnel were assigned to handle shareholders' recommendations, disputes, and other questions. Matters related to the shareholders' meeting were implemented according to the Rules and Procedures of Shareholders Meeting.	None.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		(2) In compliance with the regulations, the Company disclosed changes in the shareholding of insiders on a monthly basis. During the book closure period, the stock agency will provide a list of shareholders to monitor changes in the shareholding of major shareholders.	None.
(3) Did the Company establish and enforce risk controls and firewall systems with its affiliated companies?	V		(3) The Company proceeds and abides by in accordance with its Regulations Governing the Implementation of Internal Control Systems and the Procedures for Acquisition and Disposal of Assets.	None.
(4) Did the Company stipulate internal rules that prohibit insiders from trading securities using information not disclosed to the market?	V		(4) 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.
3. Composition and responsibilities of the Board of Directors				
(1) Has a policy of diversity been established and implemented for the composition of the Board of Directors?	V		(1) The Company referred to the regulations of Article 20 of the Corporate Governance Best Practice Principles to ensure that members of the Board of Directors have work experiences and professional skills required for business, financial, accounting, and corporate operations. For the details of implementation, refer to Page 154 of this Annual Report.	None.
(2) In addition to the Remuneration Committee and the Audit Committee established according to the law, has the Company voluntarily established other functional committees?	V		(2) The Company shall, whenever appropriate, evaluate the necessity of establishing functional committees.	None.

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) Has the company formulated the board of directors performance evaluation measures and method, conducted annual performance evaluation, and reported the performance evaluation results to the Board of Directors as a reference for individual directors' compensation and nomination?	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 2019 were reported in the Board meeting on January 10, 2020. A total of 7 Board meetings were convened in 2019 with the average attendance of 94%, 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 2019.	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 May 15, 2019. 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. Is the company staffed with an appropriate number of qualified corporate governance personnel, does it designate a person as a corporate governance officer, responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information to perform business, assisting directors and supervisors in compliance, handling matters related to the Board of Directors meeting and the shareholders' meeting in accordance with the laws, handling company registration and registration of changes, and keeping minutes of the Board of Directors meeting and the shareholders' meeting)?	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. In the future, a corporate governance officer will be engaged in accordance with regulations.	Corporate governance supervisors have not yet been set for now and will be set in accordance with relevant regulations in the future.

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	
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.
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?	V		(1) The Company has established the official website for disclosing information on finances, business operations, and corporate governance. Links with Taiwan Securities Exchange (TWSE) and Market Observation Post System (MOPS) have also been established to provide the prompt disclosure of information.	None.
(2) Did the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company website)?	V		(2) The Company has established a company website and assigned persons to maintain and disclose corporate information through the website. The Company has also established a spokesperson system, and assigned dedicated persons to collect and publish information.	None.
(3) Does the company publicly announce and declare the annual financial report within two months after the end of the fiscal year, and publicly announce and declare the financial reports for the first, second, and third quarters and the monthly operating status early before the specified deadline?		V	(3) The Company did not publicly announced and declared the annual financial report within two months after the end of the fiscal year, and publicly announce and declare the financial reports for the first, second, and third quarters operating status early before the specified deadline.	The Company will progressively publish financial reports in advance.
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, risk management	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:	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	
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)?			<p>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.</p> <p>(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.</p> <p>(4) Supplier relations: The Company has 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 in accordance with the Ethical Corporate Management Best Practice Principles under the supervision of the auditing department, which reports 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: The Company provided information or content updates on matters relating to corporate governance, finance, accounting, and laws for its Directors 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, refer to Page 52 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</p>	<p>None</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	
			<p>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 Audit Committee. 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 130 of this Annual Report.</p> <p>(8) State of implementing customer policies: The Company attaches great importance to consumer rights and has established a toll-free 0800 customer service hotline. Dedicated persons have been appointed to handle cases of complaints. A policy of product returns and replacement has also been established and implemented accordingly.</p> <p>(9) The Company has completed the purchase of liability insurance of US\$5 million for Directors in May 2020, and reported to the Board of Directors on the insured Amount and the coverage.</p>	<p>None</p> <p>None</p>
9. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of 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 6th 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> <p>1. The Company's website did not disclose the specific implementation of the prevention of insider trading. Improvement status: The status of implementation will be disclosed in the future.</p> <p>2. Members of the Remuneration Committee failed to attend at least two meetings. Improvement status: This is already improved in 2020.</p> <p>3. Disclosure of communication between the Independent Directors, the Company's chief internal auditor, and CPAs Improvement status: Such communication has been disclosed in this annual report.</p> <p>4. No corporate governance officer has been engaged yet. Improvement status: A corporate governance officer will be engaged by</p>	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>the end of June 2021.</p> <p>5. No specific dividend policy was disclosed. Improvement status: It has been disclosed in relevant sections of this annual report.</p> <p>6. No information security risk management framework has been established nor information security policies and specific management plans have been formulated and disclosed on the Company's website or annual report. Improvement status: The said matters will be established and disclosed by 2020.</p> <p>7. Other items where the Company did not gain any points and state of improvement. The Company did not convene the general shareholders' meeting before the end of May and did not implement the Board diversity policy; the Chairman and the President are the same person; the Board of Directors did not include a female Director; the succession plan for the Board members and the management has not been formulated; there was no functional committee other than the ones stipulated by the laws; the Board of Directors' performance evaluation measures did not require an external evaluation performed at least every three years; the internal auditors did not have certificates of Certified Internal Auditor, Certified Information Systems Auditor, or CPA certification; the annual financial report failed to be published within two months after the end of the fiscal year; English annual and interim financial reports failed to be disclosed; quarterly financial forecast reports failed to be disclosed on a voluntary basis; Directors', the President's, and the Vice Presidents' individual compensation or remuneration failed to be disclosed on a voluntary basis; no company website in English has been established; the Company failed to hold or failed to be invited to at least two investor conference; no exclusively (or part-time) dedicated unit in charge of promotion of ethical corporate management was established; no human rights protection policies and specific management plans were formulated; no collective agreement was signed with the union in accordance with the Collective Agreement Act; no annual emissions of</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	
			<p>carbon dioxide or other greenhouse gases were disclosed in the past two years; the ethical management policy, specific measures and plans, and prevention programs against unethical conduct were established, and no whistleblowing system was established.</p> <p>Improvement status: The Company will, 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 the 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 shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the Company or who is ranked among the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer listed in (1) or any of the persons listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (however, if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (7) Not a director (or a managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (however, if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (8) Not a director (or a managing director), supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company (however, if the specific company or institution holds more than 20% and no more than 50% of the total issued shares of the Company and if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation no more than NT\$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.
- (10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

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 (2019), a total of 2 remuneration committee meetings were held. The following lists member qualifications and presence for these meetings:

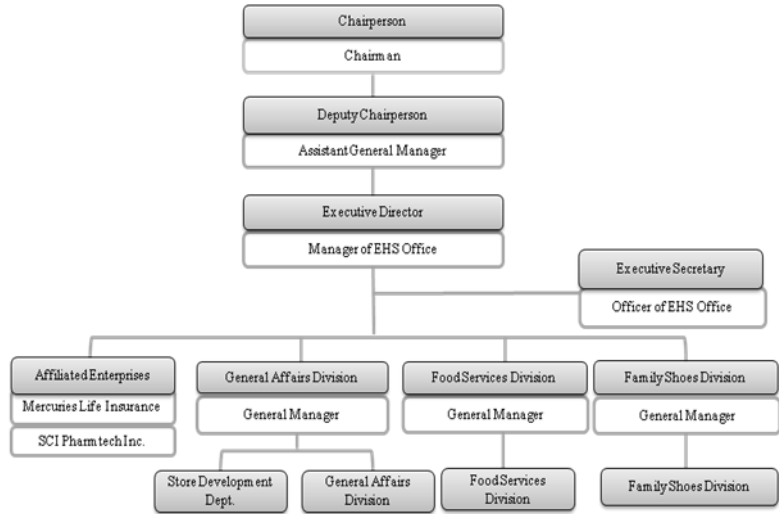
Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in preson (%)	Note
Committee chair	Lee, Mao	2	0	100%	-
Member	Tu, Te-cheng	2	0	100%	-
Member	Jeffrey Chen	1	0	50%	-

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) Implementation of Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons Thereof

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. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	V		(1) The Company conducts a stakeholder survey every year to understand the material issues that various stakeholders are concerned about in the aspects of the environment, society, and corporate governance, and further evaluates the impact of the relevant issues on the Company's operations and social environment through internal questionnaires, while formulating corresponding management policies and strategic objectives for different topics and disclosing the assessment results in the corporate social responsibility report every year. The 2019 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 2020. The scope of the 2019 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.

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	
2. Does the company establish an exclusively (or part-time) dedicated unit for promoting corporate social responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	V		<p>(2)</p>  <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

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. Environmental issues				
(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		(1) The Company complies with relevant regulations, including the Energy Administration Act, the Waste Disposal Act, the Regulations Governing General Waste Recycling, Clearance and Disposal, and the Water Pollution Control Act. The Company implements the energy management system, clearly defines the management responsibilities of the its various departments, and the Energy Management Committee confirms the performance of the energy management system. At present, the Company has established the ISO 50001 energy management system, conducted education and training on energy management system, and trained first batch of energy personnel.	None.
(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	V		(2) In 2019, the head office of Mercuries & Associates, Ltd. extended ISO 50001 to the Xing-Fu store of Family Shoes Business Division under the Group, and the ISO 50001 management system certification was successfully obtained in September 2019. Mercuries F&B Co. also introduced ISO50001 to the head office and the Zhuangjing store, a demonstration store under Napoli, this year, and the ISO 50001 management system certification was successfully obtained in September 2019. The Company gives priority to the purchase of energy efficiency labeled equipment and products, such as continuous replacement with and use of energy-efficient lamps, selection of environmentally friendly toner and green building materials, and replacement with new refrigerant switches, to reduce the production of toxic waste and improve resource efficiency.  In order to uphold the spirit of effective use of energy without wasting electricity, we launched an energy conservation action plan in 2019. Because of the response to the energy conservation action plan implemented at the head offices of Mercuries & Associates, Ltd. and Mercuries F&B Co., on the floor of the building where Mercuries & Associates Holding, Ltd. is located, the total power consumption was 1,863,900 kWh (6,710,040 million joules) in 2019, a decrease of 471,240 million joules compared with 2018, and the power density was reduced by 7% compared with 2018.  In recent years, the waste (sewage) water treatment equipment has been continuously updated, aiming to reduce the burden on the environment with an efficient treatment method.	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 assessed the potential risks and opportunities arising from climate change at present and in the future and taken relevant response measures?	V		(3) With the recognition of the violent impact of climate change on human life, the Company is committed to raising employees' awareness of environmental protection, along with implementation of environmental protection measures at the Company, including replacing old lamps, actively implementing a non-return policy to suppliers in order to reduce pollution caused by the scrapping of products, and reducing the greenhouse gas emissions during transportation and waste processing in the process of product returning.	None
(4) Has the company the calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reduction, water consumption, and waste management?	V		(4) To support energy conservation and carbon reduction measures, the Company promotes paper recycling and reuse as well as paper-free measures at the offices. Indoor temperature is under centralized control to reduce GHG emissions. Through a sound waste management system, the waste management procedures are implemented to improve the efficiency of recycling. General waste is mainly treated by incineration. Resources recycling is carried out by legal contractors regularly, and in 2019, the volume of waste was 285.33 tons, of which the recyclable and reusable waste was 149.55 tons, accounting for approximately 52%. The Company promoted a carton recycling mechanism, with a recycling rate of 63% in 2019, and the recycled cartons could be re-used four to six times. In June 2019, the head office of Mercuries F&B Co., Ltd. launched an energy conservation action plan on the fifth floor by turning off blowers 1 hour earlier, which was estimated to have reduced 20,664 million joules and 36% of power density, achieving the annual goal of saving power by 1.2%	None
4. Social Issues (1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	V		(1) The Company recruited employees in a fair manner and hired people with disabilities and re-employed women according to the Labor Standards Act and related regulations to protect employees' rights. The Company respects the basic human rights of employees. The Company hires employees based on their education and work experience and treats every employee fairly regardless of nationality, political party, race, religion, gender, age, and disability. The Company bans the use of child labor or employees under 16 years old in compliance with related labor laws and regulations. The Company recruits employees through open channels, such as job banks, and fully discloses job vacancies to fulfill its policy of equal employment.	None.

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	
(2) Does the company establish and implement reasonable employee welfare programs (including salary, leave, and other benefits) and adjust employee remuneration according to business performance?	V		(2) The Company has set up a salary and reward system that is in line with market competitiveness and employee career development according to employees' position ranking and job duties while providing leave benefits in accordance with the Labor Standards Act and providing benefits, including employee group insurance, festive gift certificates, various allowances, and long-term employment rewards. The Company has also formulated performance appraisal reward and promotion system, providing substantial rewards and promotion opportunities to employees with high performance and high potential so as to promote talent retention	None.
(3) Has the Company provided employees safe and healthy working environments? Are employees given regular training courses on health and safety?	V		(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. The Company has participated in the "Injury-Free Working Hours Record" activity since 2016, and has gradually promoted the workplace safety culture to the work environment for each employee. In 2019, it has obtained the certificate of injury-free working hours for the third consecutive times and was also awarded the "Excellent Labor Safety Personnel Award" by the Department of Labor, Taipei City Government.  In order to strengthen employees' emergency response capacity in the central kitchen, firefighting education and trainings are held regularly to promote the concept of fire prevention and escape so as to protect the safety of the Company and individuals.  In terms of workplace health, occupational health nurses and specialists in occupational disasters were appointed to provide 72 health sessions on-site in 2019. 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,	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	
(4) Has the Company established effective career and competence development and training plans?	V		<p>the Company made the workplace violence prevention plan and included it in orientation training for new employees.</p> <p>(4) 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.</p> <p>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.</p>	None.
(5) Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		<p>(5) The Company takes responsibility for its products and services, and take marketing ethics seriously. The process of procurement, production, operation, and service is all aimed at ensuring the information transparency and safety of products and services as well as quality service experience, and the consumer rights policy have been formulated, disclosed, and implemented in various operational activities, to prevent products or services from damaging consumers' rights, health, and safety. 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.</p>	None.
(6) Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights, as well as supervised their compliance?	V		<p>(6) Food safety starts from the source, and the Company insists on selecting qualified suppliers and conducts an evaluation of new and existing suppliers every year. Through rigorous supplier evaluation and audit systems, the Company can ensure that the raw materials and the products produced are safe.</p> <p>Suppliers shall be legally registered companies (agencies or importers) or factories; in addition, ingredients or suppliers certified, by Certified Agricultural Standards (CAS), Traceable Agriculture Product (TAP), Taiwan Quality Food Association (TQF), or the food safety management system of ISO22000 &amp; HACCP, are prioritized to ensure food safety together. In 2019, the Company cooperated with 66 suppliers (including three foreign suppliers that have passed system verification), of which 42 were domestic suppliers with one system certification. Those who purchased products that met internationally recognized product liability standards accounted for 64% of the total procurement. In addition, there were 23 food</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>(ingredient) suppliers that have not yet been certified by the system as the quantity of some products required was very small; to reduce the cost and inventory, the Company purchased the said products with wholesalers directly. One packaging tape (non-food grade consumable) supplier has not yet been certified by the system. At present, these 24 suppliers have begun to establish a food safety system. In the supplier contract of the Business Department, Family Shoes, the supplier shall ensure the quality of incoming materials and products and prohibit violations of others' intellectual property rights, and strictly abide by relevant laws and regulations, and shall cooperate with the Company's sustainability and management mission in the aspects of the environment, human rights, and product liability, to achieve the purpose of the Company and suppliers working together to enhance corporate social responsibility. If a supplier violates the corporate social responsibility policy, which has a significant impact on society and the environment, the Company may terminate cooperation with the supplier at any time.</p> <p>A total of 75 suppliers were evaluated by the Business Department, Family Shoes, in 2019; although the evaluation rate was 25% lower than that in 2018, it still met the Company's annual evaluation rate target. There were 25 grade A excellent suppliers (33% of the suppliers), 47 grade B qualified suppliers (63%), and three suppliers below grade C. For the suppliers who were graded C, the Company has terminated the cooperation with all three suppliers due to unsuitable products. All suppliers are required to comply with integrity-related policies established by the Company, and contracts will be immediately terminated for any violations of those policies in order to achieve reasonable quotations, best quality, and to allow both the suppliers and the Company to jointly achieve the goals of improving the fulfillment of corporate social responsibilities.</p>	
<p>5. Does the company refer to internationally accepted report preparation standards or guidelines to prepare CSR reports to disclose the company's non-financial information?</p> <p>Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?</p>	V		<p>This report is prepared in accordance with the Core option as in the GRI sustainability Reporting Standards (GRI Standards) published by the Global Sustainability Standard Board (GSSB) in 2016 (Note 1) of the Global Reporting Initiative (GRI).</p> <p>The Company's 2018 CSR report was reviewed by BSI Taiwan in accordance with the Core option of the GRI Standards, and an audit statement was obtained, indicating that the CSR report published by the Company was in line with the GRI Standards and that the self-certification conformed to the Core option of the GRI Standards. The 2019 CSR report is currently under review by BSI Taiwan and is expected to be completed in June 2020. The Company has set up a website and will disclose the CSR report and</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	
			relevant CSR information in the CSR section of the website.	
6. 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.				
7. Other important information useful for understanding the state of CSR operations: <ol style="list-style-type: none"> <li>(1) To fulfill the principle of "Contribute to Society", the Company calls on employees to participate in social welfare activities as volunteers.</li> <li>(2) 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.</li> <li>(3) 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 2019: <ol style="list-style-type: none"> <li>1. For the Sports Activist Awards, the Company has received the Gold Awards, the Long-term Sponsorship Award in the sponsorship category as well as the Bronze Award in the promotion category for the first time; it has been recognized by the Sports Administration for 11 consecutive years.</li> <li>2. The Company was awarded the Exercise Enterprise Certification by the Sports Administration.</li> <li>3. The Company received CG6011 Corporate Governance System Assessment Excellence Certification.</li> <li>4. The Company won the Taiwan Corporate Sustainability Report Award: Finance and Insurance Industry Gold Award.</li> <li>5. The Company won six major awards and six excellence awards at the Faith, Hope &amp; Love Awards of Insurance.</li> <li>6. The Company won the Best Product Category Award and the Best National Product Category Award at the National Brand Yushan Awards.</li> </ol> </li> <li>(4) 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 1,697 people.</li> <li>(5) Since its establishment, Family Shoes became a participant of the Single Shoes Bank to benefit those with only one leg.</li> <li>(6) The Foundation of Chinese Dietary Culture provided scholarships for master and doctoral papers.</li> <li>(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.</li> </ol>				

(6) Implementation of Ethical Corporate Management, Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons Thereof

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 established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies, practices, as well as the commitment of the board of directors and the senior management to rigorous and thorough implementation of such policies?</p> <p>(2) Has the company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within its business scope which are at a higher risk of unethical conduct, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(3) Has the company specified in its prevention programs the operating procedures, guidelines, disciplinary measures for violations, and a grievance system, and implemented them and reviewed the prevention programs on a regular basis?</p>	V		<p>(1) The Ethical Corporate Management Best Practice Principles has been established and approved by the Board of Directors. Both the Board of Directors and the management of the Company have attached importance to ethical conduct and adhered to the business philosophy of integrity, transparency, and responsibility, to implement the integrity policy so as to create a business environment for sustainable development. The Company's contracts and regulations for internal employees and external business partners all require the implementation of the good faith principle.</p> <p>(2) The Company has established the Ethical Corporate Management Best Practice Principles and promoted how to prevent unethical conduct at its meetings or education and training from time to time. The Company's internal control system, the Work Rules, and the Codes of Ethical Conduct also constantly reminds the good faith principle and the implementation.</p> <p>(3) The company has established the Ethics Regulations for Procurement Personnel for employees to comply with. 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. Senior 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 set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at</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 not set up a dedicated corporate governance unit to implement ethical corporate management and report to the Board of</p>	<p>None.</p> <p>The Company will prudently conduct evaluation and plan</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>least once a year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</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 internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted CPAs to conduct the audit?</p> <p>(5)Does the Company regularly organize internal and external training courses on ethical corporate management?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>Directors regularly. However, the head of each unit still abide by and implement ethical corporate management and prevent unethical conduct, and internal auditors also audit each business cycle regularly or from time to time to understand the implementation of relevant systems.</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) The Company has established an effective accounting system and internal control system for business activities with a higher risk of unethical conduct, and strictly prohibits two sets of books or secret accounts, while conducting reviews regularly, to ensure that the design and implementation of the systems are continuously effective. Internal auditors perform regular or unannounced audits of every business cycle to assess the fulfillment of relevant 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>	<p>to set up a dedicated unit to promote ethical corporate management.</p> <p>None.</p> <p>None.</p> <p>None.</p>
<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 established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms?</p> <p>(3)Has the Company adopted protection against inappropriate disciplinary actions against the whistle-blower?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>V</p>	<p>(1) The Company has not yet set up specific rules on the whistle-blowing and reward system, but the it has established internal control systems, including such as the Employee Work Rules, the Codes of Ethical Conduct, and the Ethics Regulations for Procurement Personnel.</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>A concrete whistle-blowing and reward systems will be carefully assessed and established.</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	
4. Improvement of information disclosure (1) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities on its official website or the Market Observation Post System (MOPS)?	V		(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.	None.
5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: None.				
6. Any important information to better understand the Company's implementation of ethical corporate management (for example, any review or amendment to best practices for ethical corporate management of the Company): In addition to complying with statutory regulations, the Company also required suppliers to fulfill the principle of good faith during routine business activities and management practice.				

(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
Ethics Regulations for Procurement Personnel

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 in 2019:

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	2019/6/20	2019/6/20	Taiwan Corporate Governance Association	Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and Insider Trading	3	6
				2019/11/21	2019/11/21	Securities & Future Institute	Corporate Governance and Securities Management Laws and Cases Discussion	3	
Corporate Director Representative	Chen, Shiang-Chung	2018/6/22	2014/1/15	2019/4/9	2019/4/9	Taiwan Corporate Governance Association	Digital Decision-making – Decision Board Product Operating Model as an Example	3	6
				2019/11/1	2019/11/1	Taiwan Corporate Governance Association	Multinational Management and Sustainable Management	3	
Corporate Director Representative	Wong, Wei-Chyun	2018/6/22	2012/6/5	2019/7/17	2019/7/17	Securities & Future Institute	Seminar on Legal Compliance for Insider Equity Trading	3	9
				2019/09/11	2019/09/11	Taiwan Securities Association	Introduction of the Money Laundering Control Act and Case Study	3	
				2019/11/21	2019/11/21	Securities & Future Institute	Corporate Governance and Securities Management Laws and Cases Discussion	3	
Corporate Director Representative	Mao, Ming-Yu	2018/6/22	1997/5/8	2019/6/20	2019/6/20	Taiwan Securities Association	Equity Transfer and Tax Planning Practices for Directors, Supervisors, and Supervisors	3	6
				2019/7/31	2019/7/31	Securities & Future Institute	Seminar on Legal Compliance for Insider Equity Trading	3	
Corporate Director Representative	Cheng, I-teng	2018/6/22	2018/6/22	2019/5/15	2019/5/15	Taiwan Stock Exchange, Taipei Exchange	ESG Investment Promotion Forum	3	12
				2019/6/20	2019/6/20	Taiwan Securities Association	Equity Transfer and Tax Planning Practices for Directors, Supervisors, and Supervisors	3	
				2019/7/17	2019/7/17	Securities & Future Institute	Seminar on Legal Compliance for Insider Equity Trading	3	
				2019/9/11	2019/9/11	Taiwan Securities Association	Introduction of the Money Laundering Control Act and Case Study	3	
Director	Fang, Cheng-Yi	2018/6/22	1983/10/3	2019/6/20	2019/6/20	Taiwan Securities Association	Equity Transfer and Tax Planning Practices for Directors, Supervisors, and Supervisors	3	6
				2019/9/11	2019/9/11	Taiwan Securities Association	Introduction of the Money Laundering Control Act and Case Study	3	
Independent Director	Lee, Mao	2018/6/22	2015/6/24	2019/3/29	2019/3/29	Taiwan Corporate Governance Association	Amendments to the Company Act and Discussion on How Shareholders' Meeting Responds	3	9
				2019/6/20	2019/6/20	Taiwan Securities Association	Equity Transfer and Tax Planning Practices for Directors, Supervisors, and Supervisors	3	
				2019/7/17	2019/7/17	Securities & Future Institute	Seminar on Legal Compliance for Insider Equity Trading	3	
Independent Director	Jeffrey Chen	2018/6/22	2015/6/24	2019/7/17	2019/7/17	Securities & Future Institute	Seminar on Legal Compliance for Insider Equity Trading	3	9
				2019/10/15	2019/10/15	Taiwan Corporate Governance Association	Major Civil and Criminal Responsibilities and Directors and Supervisors under Corporate Governance and Case Study	3	
				2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Impact of the Economic Substance Act and Global Anti-Tax Avoidance on Corporate Governance from the Perspective of Directors and Supervisors	3	
Independent Director	Tu, Te-cheng	2018/6/22	2018/6/22	2019/6/20	2019/6/20	Taiwan Corporate Governance Association	Insider Trading Prevention	3	9
				2019/7/29	2019/7/29	Taiwan Corporate Governance Association	Corporate Governance Promotion	3	
				2019/7/29	2019/7/29	Taiwan Securities Association	Equity Transfer and Tax Planning Practices for Directors, Supervisors, and Supervisors	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	2019/6/20	2019/6/21	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 27, 2020

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2019:

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, 2019 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 27, 2020. Amongst the 9 Directors present in the meeting, none (0) held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

Mercuries & Associates Holding, Ltd.

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) In the most recent year and as of the printing date of this annual report, where the Company and its internal personnel were imposed with penalties according to laws, or the Company imposed penalties on its internal personnel for violating the internal control system, or the results of the penalties may have a significant impact on shareholders' equity or securities prices, the content of the penalties, major deficiencies, and improvement shall be specified: 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 2019:
- The 2019 annual general meeting of the Company was held on June 14, 2019 on 20F., No.145, Section 2, Jianguo North Road, Taipei City. 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 2018 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 2018 earnings distribution.  
Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.
- II. Discussion Items:
- Propose 1  
Proposal: Distribution of cash dividends from capital surplus.  
Resolution: This case has been voted and ratified by the shareholders present in the meeting
- Propose 2  
Proposal: To amend the Procedures for Acquisition and Disposal of Assets.  
Resolution: This case has been voted and ratified by the shareholders present in the meeting
- Propose 3  
Proposal: To amend the Procedures for Endorsements and Guarantees.  
Resolution: This case has been voted and ratified by the shareholders present in the meeting
- Propose 4  
Proposal: To amend the Procedures for Lending Funds to Other Parties.  
Resolution: This case has been voted and ratified by the shareholders present in the meeting
- Note: For the complete meeting records, meeting manual, and supplementary information of this meeting, visit the Market Observation Post System (MOPS) at: <http://mops.twse.com.tw>.
- B. Review of the state of implementation of resolutions from the previous annual shareholders' meeting:

- (1) Proposal for capital surplus distribution: September 8, 2019 was selected as the record date for distribution while the date for actual distribution was September 30, 2019 (cash dividend per share was set to NT\$ 0.5 ). 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 resolutions adopted in the shareholders' meeting.
- (3) All resolutions from the 2019 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 Resolution
9th Meeting of the 19th Board of Directors January 22, 2019	Report Items (1) Internal 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.	Propose 1: Unanimously approved by All Directors present in the meeting. (Director Chen, Shiang-li recused himself from the discussion and voting 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.
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) Internal 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 Fang , I-cheng 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.
12th Meeting of the 19th Board of Directors May 15, 2019	Report Items (1) The Company's consolidated financial statements for the first quarter Of 2019 and 2018. (2) Internal audit report. (3) The report of "Director Supervisors and Important Staff Liability Insurance" (4) The report of proposals raised in the shareholders' meeting. Discussion Items (1) Evaluation of the independence of the Company's CPAs and audit fees for 2019.	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 Resolution
	(2) Application for line of credit with the bank.	
13th Meeting of the 19th Board of Directors August 14, 2019	Report Items (1) The Company's consolidated financial statements for the second quarter of 2019 and 2018. (2) Internal audit report. Discussion Items (1) The ex-right for the distribution of cash dividends from capital surplus. (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.
14th Meeting of the 19th Board of Directors November 14, 2019	Report Items (1) The Company's consolidated financial statements for the third quarter of 2019 and 2018. (2) Internal audit report. (3) Report on the execution of the company disposal of the First Bank stock. Discussion Items (1) The company intends to sell the equity of Mercuries Food Service Japan Ltd.. (2) Capital increase by cash for Sanyou Drugstores, Ltd.. (3) To amend the Rules and Procedures of Board of Director Meetings. (4) 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.
15th Meeting of the 19th Board of Directors December 20, 2019	Report Items (1) Internal audit report. (2) Report on the execution of the company disposal of the First Bank stock. Discussion Items (1) Taishin Bank host the joint credit case. (2) The Company's 2020 audit plan. (3) The Company's 2020 Board meeting schedule.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
16th Meeting of the 19th Board of Directors January 10, 2020	Report Items (1) Board of Directors evaluation report. (2) Report on the execution of the company disposal of the First Bank stock. Discussion Items (1) Application for line of credit with the bank. (2) Remuneration of the Company's officers.	Unanimously approved by all directors present in the meeting. (Director Chen, Shiang-Li recused himself from the discussion and voting in Proposal 2 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors: None.
17th Meeting of the 19th Board of Directors February 26, 2020	Report Items (1) Report on the execution of the company disposal of the First Bank stock. Discussion Items (1) Since January 1, 2020, the company and its subsidiaries will change the follow-up evaluation of investment real estate from cost model to fair value model. (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.
18th Meeting of the 19th Board of Directors March 27, 2020	Report Items (1) Internal audit report. (2) Report on the execution of the company disposal of the First Bank stock. Discussion Items (1) Distribution of compensation of the Company's Directors and	Unanimously approved by all directors present in the meeting. (Director Fang, Cheng-Yi recused himself from the discussion and voting in Proposal 1 due to the conflict of interest.)

Date of Key Resolution	Content of Key Resolution	Result of Resolution
	<p>employees.</p> <p>(2) Remuneration of the Company's managerial officers.</p> <p>(3) The Company's 2019 business report and financial statements.</p> <p>(4) The Company's 2019 earnings distribution.</p> <p>(5) The Company's statement of internal control for 2019.</p> <p>(6) The Company's budget for 2020.</p> <p>(7) Application for line of credit with the bank.</p> <p>(8) To amend the Management of the procedures for preparation of financial statements.</p> <p>(9) Formulation of and amendments to internal policies in accordance with related laws and regulations and practical needs.</p> <p>(10) Convention of the 2020 annual shareholders' meeting.</p>	<p>(Director Chen, Shiang-Li recused himself from the discussion voting in Proposal 2 due to the conflict of interest.)</p> <p>Opinions of independent directors: None.</p> <p>Disposal of opinions of independent directors: None.</p>

#### D. List of proposals of the Audit Committee

Time	Content of Proposal	Results of Resolution
5th Meeting of 1st Audit Committee March 29, 2019	<p>Discussion Item</p> <p>(1) The Company's 2018 business report and financial statements.</p> <p>(2) The Company's statement of internal control for 2018.</p> <p>(3) Formulation of and amendments to internal policies in accordance with related laws and regulations and practical needs.</p> <p>(4) The Company's 2018 earnings distribution.</p> <p>(5) Distribution of capital reserve in cash.</p> <p>(6) Internal audit report.</p>	<p>Unanimously approved by all members present in the meeting.</p> <p>Submitted to the Board of Directors for resolution.</p>
6th Meeting of 1st Audit Committee May 15, 2019	<p>Discussion Items</p> <p>(1) Evaluation of the independence of the Company's CPAs and audit fees for 2019.</p> <p>(2) The Company's consolidated financial statements for the first quarter of 2019 and 2018.</p> <p>(3) Internal audit report.</p>	<p>Unanimously approved by all members present in the meeting.</p> <p>Submitted to the Board of Directors for resolution.</p>
7th Meeting of 1st Audit Committee August 14, 2019	<p>Report Items</p> <p>(1) Internal audit report.</p> <p>Discussion Items</p> <p>(1) The Company's consolidated financial statements for the second quarter of 2019 and 2018.</p>	<p>Unanimously approved by all members present in the meeting.</p> <p>Submitted to the Board of Directors for resolution.</p>
8th Meeting of 1st Audit Committee November 14, 2019	<p>Report Items</p> <p>(1) The Company's consolidated financial statements of the third quarter of 2019 and 2018.</p> <p>(2) Internal audit report.</p> <p>Discussion Items</p> <p>(1) To amend the Rules and Procedures of Board of Director Meetings.</p>	<p>Unanimously approved by all members present in the meeting.</p> <p>Submitted to the Board of Directors for resolution.</p>
9th Meeting of 1st Audit Committee December 20, 2019	<p>Report Items</p> <p>(1) Internal audit report.</p> <p>Discussion Items</p> <p>(1) The Company's 2020 audit plan .</p>	<p>Unanimously approved by all members present in the meeting.</p> <p>Submitted to the Board of Directors for resolution.</p>
10th Meeting of 1st Audit Committee February 26, 2020	<p>Discussion Items</p> <p>(1) Since January 1, 2020, the company and its subsidiaries will change the follow-up evaluation of investment real estate from cost model to fair value model.</p>	<p>Unanimously approved by all members present in the meeting.</p> <p>Submitted to the Board of Directors for resolution.</p>

11th Meeting of 1st Audit Committee March 27, 2020	<b>Report Items</b> (1) Internal audit report. <b>Discussion Items</b> (1) The Company's 2019 business report and financial statements. (2) The Company's 2019 earnings distribution.. (3) The Company's statement of internal control. (4) To amend the Management of the procedures for preparation of financial statements. (5) Formulation of and amendments to internal policies in accordance with related laws and regulations and practical needs.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
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#### E. List of proposals of the remuneration committee

Time	Content of Proposal	Result of Resolution
1st Meeting of the 4th Remuneration Committee January 22, 2019	<b>Discussion Items:</b> (1) 2018 year-end bonuses for managerial officers (paid in 2019).	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
2nd Meeting of the 4th Remuneration Committee March 29, 2019	<b>Discussion Items:</b> (1) 2018 remuneration for the Company's Directors (paid in 2019).	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
3rd Meeting of the 4th Remuneration Committee January 10, 2020	<b>Discussion Items:</b> (1) 2019 year-end bonuses for managerial officers (paid in 2020).	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
4th Meeting of the 4th Remuneration Committee March 27, 2020	<b>Discussion Items:</b> (1) 2019 remuneration for the Company's Directors and Supervisors (paid in 2020).	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.

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

(13) Any resignation or dismissal of company personnel related to the financial report (such as chairman, general manager, principle accounting officer, principle financial officer, internal audit officer and principle research and development officer) in the most recent fiscal year up to the publication date of this report: None.

#### 5. Information on the CPA's fees:

(1) Non-audit fee paid to CPA, accounting firm of the CPA and/or any affiliated enterprise of the accounting firm are one quarter or more of the audit fees: No such payments have been made. Refer to the following table for details:

Name of the accounting firm	Name of the CPA		Audit period	Notes
BDO Taiwan	Liu, Ke-Yi	Hsu, Kun-Hsi	Jan. 1, 2019 to Dec. 31, 2019	-

Professional charge		Accounting charge	Non-accounting charge
Fee range			
1	Less than NT\$ 2,000,000	-	NT\$130,000
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000	NT\$3,600,000	-
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000	-	-
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\$130 thousand	NT\$130 thousand	1. Review Report: NT\$50 thousand. 2..Review of annual report in the shareholders' meeting: NT\$80 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)The audit fee decreased by more than 10% compared with the previous year: The business in China was terminated based on the strategic consideration, and the number of consolidated subsidiaries decreased.
- (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 15, 2019.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		Commissioner
	Status	CPA	
	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, 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, managerial officers, and major shareholders

Title	Name	2019		As of April 20, 2020	
		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	0	13,900,000	0	12,700,000
Corporate representative of the chairman / Managerial officer	Chen, Shiang-Li	0	(700,000)	0	(2,100,000)
Corporate representative of the director	Chen, Shiang-Chung	0	0	0	0
Corporate representative of the director	Mao, Ming-Yu	0	0	0	0
Corporate representative of the director	Cheng, I-teng	0	0	0	0
Director / Major shareholders	Shuren Investment	0	0	0	0
Corporate representative of the director	Wong, Wei-Chyun	0	0	0	0
Director	Fang, Cheng-Yi	(3,100,000)	0	0	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	0	0	0	0
Managerial officer	Chen, Te-Kai	0	0	0	0

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

(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 20, 2020

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%	-	-	-	-	(1)Shanghong Investment Representative: Chen, Shiang-Li (2)Pension fund management committee of Mercuries & Associates, Ltd. Representative: Chen, Shiang-Li (3)Chen, Shiang-Chung	(1)(2)The representative is within the first degree of kinship. (3)Within the first degree of kinship with the representative of the company.	-
Shuren Investment Representative: Wong, Chau-Shi	117,322,311	14.19%	-	-	-	-	Shufeng Investment	Same person as the chairman	-
Shanghong Investment Representative: Chen, Shiang-Li	44,352,078	5.37%	-	-	-	-	(1)Shanglin Investment Representative: Hsu, Chang-Hui (2)Pension fund management committee of Mercuries & Associates, Ltd. Representative: Chen,Shiang-Li (3)Chen, Shiang-Chung	(1)The representative is within the first degree of kinship. (2)Same person as the chairman. (3)Within the second degree of kinship with the representative of the company.	-
Shufeng Investment Representative: Wong, Chau-Shi	43,322,101	5.24%	-	-	-	-	Shuren Investment	Same person as the chairman.	-
Mercury Fu Bao Co., Ltd. Representative: Wang, Hsien-chang	39,986,328	4.84%	-	-	-	-	-	-	-
Chen, Shiang-Li	22,805,948	2.76%	-	-	-	-	(1)Shanghong Investment (2)Shanglin Investment (3)Pension fund management committee of the Mercuries & Associates, Ltd. (4)Shanglin Investment Representative: Hsu, Chang-Hui	(1)Chairman of this company. (2)Director of this company (3)Representative of the committee. (4)The representative is within the first degree of kinship. (5)Within the	-

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	
							(5)Chen, Shiang-Chung	second degree of kinship.	
Pension fund management committee of Mercuries & Associates, Ltd. Representative: Chen, Shiang-Li	18,784,263	2.27%	-	-	-	-	(1)Chen, Shiang-Li (2)Chen, Shiang-Chung	(1)Representative of the committee. (2)Within the second degree of kinship with the representative of the committee.	-
Wong, Chau-Shi	17,898,605	2.17%	16,509,468	2.00%	-	-	(1)Yang, Chun-Hui (2)Shuren Investment (3)Shufeng Investment	(1)Spouse. (2)(3)Chairman of this company.	-
Yang, Chun-Hui	16,509,468	2.00%	17,898,605	2.17%	-	-	Wong, Chau-Shi	Spouse.	-
Chen, Shiang-Chung	16,214,454	1.96%	911,617	0.11%	-	-	(1)Shanghong Investment (2)Shanglin Investment (3)Pension fund management committee of the Mercuries & Associates, Ltd. (4)Shanglin Investment Representative: Hsu, Chang-Hui (5)Chen, Shiang-Li	(1)(2)Director of the company. (3)Within the second degree of kinship with the representative of the committee. (4)Within the first degree of kinship with the representative of the company. (5)Within the second degree of kinship.	-

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, 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, 2020 Other companies invested by the Company (Note1)	Investments by the Company		Investments by the Directors, 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	-	40,000	100.00%
Mercuries Data Systems Ltd.(Note2)	98,505	53.44%	811	0.44%	99,316	53.88%
Mercury Fu Bao Co., Ltd.	236,260	100.00%	0	-	236,260	100.00%
Mercuries General Media, Inc.	4,200	86.96%	0	-	4,200	86.96%
Mercuries Life Insurance Co., Ltd. (Note3)	984,650	41.51%	368,353	15.53%	1,353,003	57.04%
Mercuries Harvest Co., Ltd.	9,000	100.00%	0	-	9,000	100.00%
Mercuries F&B Co., Ltd.	39,950	93.63%	0	-	39,950	93.63%
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. (Note3)	25,236	31.75%	2,876	3.62%	28,112	35.37%
Mercuries Furniture Co., Ltd.	13,000	100.00%	0	-	13,000	100.00%
Fuh Hwa Securities Investment Trust Co., Ltd.	1,971	3.28%	22,028	36.71%	23,999	39.99%
M. T. I. CIGARS CO., LTD.	3,209	100.00%	0	-	3,209	100.00%
Mercuries Liquor & Food Co., Ltd.	20,000	100.00%	0	-	20,000	100.00%
Mercuries Insurance Agency Co. Ltd.	500	100.00%	0	-	500	100.00%
Sanyou Drugstores, Ltd.	50,000	50.00%	0	-	50,000	50.00%
Mercuries FoodService Co., Ltd	—	25.31%	—	74.69%	—	100.00%
Tastynoodle Co., Ltd	—	100.00%	—	-	—	100.00%
Family Shoemart Co., Ltd	—	86.67%	—	13.33%	—	100.00%
Asiandawn Ventures Inc.	—	16.62%	—	74.34%	—	90.96%
Simple Mart Retail Co., Ltd.	41,119	68.53%	0	-	41,119	68.53%

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

Note2: The numbers on April, 18, 2020.

Note3: The numbers on April, 21, 2020.

## 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
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 1
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 2
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 3
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 4
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 5
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 6
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 7
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 8
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 9
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 10
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 11
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 12
August 2017	NT\$ 10	900,000,000	9,000,000	765,467,749	7,654,677	Recapitalization of retained earnings 500,778,000	None	Note 13
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 14
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 15
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 16
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 17
August 2018	NT\$ 10	900,000,000	9,000,000	826,687,688	8,266,877	Recapitalization of retained earnings 612,370,000	None	Note 18
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 19
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 20

Note 1: 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 2: 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 3: 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 4: 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 5: 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 6: 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 7: 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 8: 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 9: 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 10: 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 11: 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 12: 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 13: 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 14: 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 15: 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 16: New restricted employee stocks amounting to NT\$ 40,000 was extinguished on May 11, 2018 following a Board Meeting resolution. This change has yet to be registered before the publication date of this report..

Note 17: 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 18: 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 19: 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 20: 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 20, 2020 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 20, 2020 Unit: Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Institutional shareholders	Per individual	Overseas institutions and individuals	Total
Number of individuals	2	3	73	26,394	126	26,598
Shares held	337	153,360	464,620,202	303,981,835	57,926,954	826,682,688
Percentage held	0%	0.02%	56.20%	36.77%	7.01%	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 20, 2020 Unit: Shares

Shareholding range	Number of shareholders	Total shares	Percentage of issued shares (%)
1 to 999	11,860	2,961,838	0.36%
1,000 to 5,000	9,562	21,406,977	2.59%
5,001 to 10,000	2,294	17,166,223	2.08%
10,001 to 15,000	901	11,037,953	1.33%
15,001 to 20,000	509	8,985,567	1.09%
20,001 to 30,000	509	12,568,692	1.52%
30,001 to 50,000	371	14,536,150	1.76%
50,001 to 100,000	307	21,911,532	2.65%
100,001 to 200,000	125	16,874,411	2.04%
200,001 to 400,000	70	19,637,889	2.38%
400,001 to 600,000	31	15,407,553	1.86%
600,001 to 800,000	12	7,765,856	0.94%
800,001 to 1,000,000	10	9,274,105	1.12%
> 1,000,001	37	647,147,942	78.28%
Total	26,598	826,682,688	100%

(5) List of major shareholders

April 20, 2020 Unit: Shares

Shares	Shares held	Shareholding percentage
Name of major shareholder		
Shanglin Investment Co., Ltd.	170,133,164	20.58%
Shuren Investment Co., Ltd.	117,322,311	14.19%
Shanghong Investment Co., Ltd.	44,352,078	5.37%
Shufeng Investment Co., Ltd.	43,322,101	5.24%
Mercury Fu Bao Co., Ltd.	39,986,328	4.84%
Chen, Shiang-Li	22,805,948	2.76%
Pension fund management committee of Mercuries & Associates, Ltd.	18,784,263	2.27%
Wong, Chau-Shi	17,898,605	2.17%
Yang, Chun-Hui	16,509,468	2.00%
Chen, Shiang-Chung	16,214,454	1.96%

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

Item \ Year		2018	2019	From this fiscal year to March 31, 2020 (Note 4)
Market price per share	Max	26.40	22.60	23.75
	Min	17.55	16.60	13.95
	Average	23.41	18.56	20.02
Net value per share	Before issuance	13.14	21.81	—
	After issuance	12.64(Note5)	20.81	—
Earnings per share	Weighted average (thousand shares)		779,276	779,276
	Earnings per share	Before retrospective	0.43	4.48
		After retrospective	—	—
Dividend per share (DPS)	Cash dividend		0.5(Note 5)	1 (Note 6)
	Free allotment	Earnings	—	1 (Note 6)
		Capital reserve	—	—
	Cumulative unpaid dividends		—	—
Return on investment analysis	Price-to-earning ratio (P/E) (Note 1)		54.44	4.14
	Price-to-dividend ratio (P/D) (Note 2)		46.82(Note 5)	9.28(Note 6)
	Cash dividend yield (Note 3)		2.14(Note 5)	10.78%( Note 6)

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 and stock dividend per share)

Note 3: Cash dividend yield = (Cash dividend and stock 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 distribution of capital reserve totaling NT\$413,341 thousand in cash was approved by the Shareholders' meeting on June 14, 2019.

Note 6: The earnings distribution of 2019 was approved by the Board of Directors on March 27, 2020. The distribution of cash dividend and stock dividend 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. Proposals for the distribution of employees' compensation as well as Directors' 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.

As for the distribution of dividends to shareholders based on the current development of the Company, under the normal circumstances, the net profit after tax for the current year will make up for the accumulated loss first, and after the legal surplus and special capital reserve are deducted, 40% of the remaining balance is allocated as dividends; the cash dividends to be distributed shall not be less than 10% of the total amount of dividends paid.

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

The distribution of earnings in 2019 was approved by the Board of Directors on March 27, 2020. For the distribution of earnings in 2019, refer to the following table:

Table of 2019 Earnings Distribution

Unit: NTD

Item	Amount	
	Subtotal	Total
Undistributed earnings at the beginning of the period		0
Minus: Changes in undistributed earnings of invested companies (Note 1)	(24,272,822)	
Add: Disposal of equity instruments at fair value through other comprehensive income	51,801,407	
Add: Reversal of special reserve	2,962,650,625	
Add: Net profit after tax for the year (Note 2)	3,494,832,767	
Earnings available for distribution		6,485,011,977
Minus: Legal reserve appropriated	(352,236,135)	
Distribution Item:		
Cash dividend(Note 3)	(826,682,688)	
Stock dividend(Note 3)	(826,682,680)	
Undistributed earnings at the end of the period		4,479,410,474

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. (4) disposal of equity instruments at fair value through other comprehensive income.

Note 2: Employees' compensation of NT\$35.5 million and directors' remuneration of NT\$15 million have been deducted.

Note 3: Priority distribution of 2019 annual surplus.

**C. Explanation of expected major changes in dividend policy: The company does not expect major changes in dividend policy.**

- (8) Impact to the company's business performance and earnings per share (EPS) for free allotment of shares proposed by this shareholder's meeting

The Company has neither compiled nor announced financial forecast for 2020.

- (9) Compensation for employees and directors

- A. Quantity or scope of compensation for employees and directors 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.

- B. The basis for estimating the amount of employees' and Directors' 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 2019 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' 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\$ 15,000,000 and employees' compensation of NT\$ 35,500,000.

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 2019 did not include issuance of the employees' stock dividends.

- D. Distribution of compensation and results as reported at the shareholders' meeting:

The Company reported on the compensation paid to Directors and employees for 2018 to the shareholders' meeting on June 14, 2019, and no shareholder made an objection.

- E. Actual distribution of the compensation to employees and Directors for 2018:

The Company's proposal for compensation to employees and Directors for 2018 was passed via resolution by the Board of Directors on March 29, 2018. The following describes the actual sums distributed:

(1) The compensation for Directors and employees was NT\$5,000 thousand and NT\$5,200 thousand, respectively, both of which were paid in cash.

(2) The sums actually distributed were in line with the amounts for distribution approved by the Board of Directors and was reported to the general shareholders' meeting on June 14, 2019.

- (10) Repurchase by the Company of its own shares during the most recent fiscal year up on the publication date of this report: None.

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: Not issued.
7. Issuance of new shares in connection with the merger or acquisition of other companies: None.
8. Financing Plans and Implementation: 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 about Mercuries Life Insurance, SCI Pharmtech, Inc., Mercuries Data Systems Ltd., and Simple Mart Retail Co., Ltd. (the main retail channel is Simple Mart) that is mainly operating retail of daily commodities, please refer to the annual report of the shareholders meeting prepared by the companies.

### 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	2018		2019	
	Business Revenue	Business Revenue Proportion	Business Revenue	Business Revenue Proportion
Retail of Daily Commodities and Food	20,568,682	9.13%	21,038,308	9.17%
Life insurance	198,360,766	88.08%	201,631,585	87.94%
Pharmaceuticals	1,993,332	0.89%	2,412,360	1.05%
Information Services	3,343,130	1.48%	3,089,631	1.35%
Others	927,789	0.42%	1,113,480	0.49%
Total	225,193,699	100%	229,285,364	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 business (financial information system software and hardware planning, development, and establishment services), public utilities (project information system software and hardware planning, development, and establishment services), engineering maintenance business (information system software and hardware maintenance), as well as China and overseas business related business.

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

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

It is planned to install OFFICE Mart in the office areas of the metropolitan areas. The app can locate and scan the shelves and commodities. The online credit card payment or third-party payment self-checkout are adopted for the entire process. In the future, the functions will be expanded; group purchase and reservations, along with various community functions will be added, which will increase the stickiness of existing customers and also attract other potential customers to join the life circle of Simple Mart. Not only does it provide consumers with a near-field consumption experience and environment, but it also enables Simple Mart's

products to be expanded from sales in the physical stores in the neighborhood to sales in the office setting, attracting different consumer groups.

In addition, the establishment of the "GO Simple Mart" brand steps into the e-commerce field, and the main customer group targets existing members of the Simple Mart. The main business direction is to provide product categories that Simple Mart's physical channels cannot provide to meet consumers' needs. With the smart locker system and through the dual business models of "payment upon in-store pickup" and "cash on delivery", it is expected to increase the number of original members' visits and consumption (on-line to off-line), thereby increasing revenue and profit and providing customers with more diversified products and services.

In terms of retail of daily commodities and food, each brand develops meals with new flavors. As for enhancing customers' stickiness, the app of i-Food Card is actively promoted to increase brand exposure in cooperation with multiple payment service providers and electronic ticket providers, including the original JKOS Pay, Line Pay, Easy Card, iPASS Card, iCash Card, and HappyCash Card, as well as Taiwan Pay and WeChat Pay that will be added. In addition, besides the existing delivery service provider UberEat, the Company may cooperate with other delivery platform providers in the future. The Company will cooperate with middlemen in different marketing media and with business in different industries, to bring attention to its brands and products so as to achieve revenue growth.

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
Go Ankang Cancer Prevention Health Insurance Accessory Contract (GOACR)	Launched on January 1	-	Q1 2020	Whether the product structure is competitive
Go Fukang One-Year Regular Cancer Prevention Health Insurance Accessory Contract (GOFGR)	Launched on January 1	-	Q1 2020	Whether the product structure is competitive
Century Deli Variable Annuity (KVA)	Launched on January 1	-	Q1 2020	Whether the product structure is competitive
Century Deli Foreign Currency Variable Annuity (KFVA)	Launched on January 1	-	Q1 2020	Whether the product structure is competitive
Century Wealth Variable Universal Life Insurance (ASVUL)	Launched on January 1	-	Q1 2020	Whether the product structure is competitive
Century Fuli Foreign Currency Variable Universal Life Insurance (AFVUL)	Launched on January 1	-	Q1 2020	Whether the product structure is competitive

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
Meigaoli USD Interest Rate Variable Lifelong Life Insurance (MKL)	Launched on January 31	-	Q1 2020	Whether the product structure is competitive
Regular health insurance series	R&D personnel have started developing the product.	Around NT\$0.5 million	Q2 2020	Whether the product structure is competitive
Bank mortgage insurance series	R&D personnel have started developing the product.	Around NT\$0.5 million	Q2 2020	Whether the product structure is competitive

c. Pharmaceuticals

New Product Name	New Product Description
Adenine	APIs
Empagliflozine	APIs
Lisdexamfetamine	APIs
CBD	APIs
AEHPA	API intermediate

d. Information services

The Company has continuously invested in and developed many new products and services, including radio broadcasting system, radio emergency intercom system, passenger information system, PDA mobile phone, and train station automatic 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

According to the data released by the Department of Statistics, Ministry of Economic Affairs, in October 2019, the retail sales channels are dominated by physical stores, accounting for 90.7%, followed by e-commerce platforms accounting for 6.9% and 1.0% through multi-level marketing. Compared with the data for 2018, sales through e-commerce increased by 1.2 percentage points. 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. In 2019, nearly 67% of restaurants operated online communities or LINE official accounts; 44.1% of them provided mobile payment services; 29.9% of them provided online reservations services while 16.2% of them provided online meal ordering services; of them, mobile payment increased by 13.1% over the previous year, showing that the digital services provided by the food and beverage industry are the future development trend.

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 food and beverage industry. The problem of "fierce price competition and a low gross margin" accounted for the highest percentage in the retail industry's main operating difficulties, and the problem of "e-commerce providers sharing the pie of the market" increased the most by 5.8%. The problem of "too high personnel costs" accounted for the highest percentage in the food and beverage industry's operating difficulties, while it was the problem increased the most by 4.7%.

#### 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 that the government has been actively investing more resources in the past two decades to formulate social insurance, benefits and policies related to the elderly. 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 from the Taiwan Insurance Institute and the Life Insurance Association of the Republic of China, the current domestic insurance coverage ratio is showing a year-on-year growth trend. With the steady increase in the insurance coverage ratio, each person has two life insurance policies or annuity insurance policies. In recent years, what is worth attention is that the penetration rate seems to have slowed down. The challenge for insurance companies is to make the general public understand the true meaning and importance of insurance, and actively develop insurance products that meet policyholders' needs while continuing to expand the insurance market.

According to the statistics of the Taiwan Insurance Institute (detailed in the table below), as for the growth rate of the total premium income of domestic life



insurance from 2010 to 2019, except for the double-dip recession and the European debt crisis in 2011, in which the total premium income decreased slightly by 4.96 % compared with the same period in 2020, as well as the US-China trade tensions in 2019, leading to the impact of the industry's introduction of IFRS17 on commodity strategies, in which the total premium income decreased slightly by 1.28% compared with the same period in 2018, the annual growth rates were all positive. In general, the life insurance sector in Taiwan has exhibited stable growth.

Statistics on Premium Income in Taiwan

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Premium Income (NT\$100 million)	23,128	21,982	24,784	25,835	27,711	29,267	31,334	34,202	35,116	34,667
Growth Rate (%)	15.26	(4.96)	12.75	4.24	7.26	5.61	7.06	9.16	2.67	(1.28)

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.

Following the successive withdrawal of European and American insurance companies from the Taiwan market, there are currently a total of 22 life insurance companies in Taiwan, including 19 domestic companies, and 3 foreign branches in Taiwan.

#### c. Pharmaceuticals

The scope of Taiwan's biopharmaceutical industry mainly covers the four major areas of pharmaceutical industry, medical equipment industry, applied biotechnology industry, and health and wellbeing industry. As Taiwan's biopharmaceutical suppliers continue to develop new products and develop business layout in the international market, Taiwan's biopharmaceutical industry exports have increased accordingly, further expanding the scale of our country's biopharmaceutical industry. In 2018, the turnover of Taiwan's biopharmaceutical industry has reached NT\$514.8 billion, an increase of 5.6% from NT\$487.5 billion in 2017. However, the pharmaceutical industry has been affected by factors, such as market competition for active pharmaceutical ingredients (API) and medicine price adjustments under national health insurance, resulting in limited growth from NT\$80 billion in 2012 to NT\$80.3 billion in 2018; there seemed not to be much growth.

Taiwan's pharmaceutical industry is divided into the western medicine preparation industry, the biopharmaceutical industry, and the traditional Chinese medicine preparation industry, of which biopharmaceutical includes API manufacturing and biopharmaceutical manufacturing. According to the industrial production statistics on tape released by the Ministry of Economy, from January to November of 2019, the production value and sales value of Taiwan's western medicine manufacturing

industry and biopharmaceutical industry were NT\$60.110 billion and NT\$56.583 billion, respectively, which were an increase of 8.58% and 6.18 %, respectively, compared with the same period in 2018. In particular, the annual growth rate of the production value reached a new high since 2015.

The scale of Taiwan's API market is not large. Most domestic API companies focus mainly on export, and the proportion of export exceeds 85%. According to the import and export statistics of the customs, in 2018, there were 69 API exporting countries in Taiwan, with an export value of NT\$4.59 billion, an increase of 8.25% from NT\$4.24 billion in 2017. The top five exporting countries were the US, Japan, Greece, India, and Germany; the total export value is NT\$2.72 billion, accounting for 59.28% of Taiwan's API export value. In addition, in 2018, the API import value in Taiwan was NT\$6.52 billion, a decrease of 1.28% from NT\$6.6 billion in 2017. This was mainly due to the significant decrease in API from India and the US, but the top three importing countries (Mainland China, South Korea, and Japan) still maintained the growth trend.

Statistics on Import and Export Value of Taiwan's API Industry

Unit: NT\$100 million; %

Year Item	Export Value					
	2013	2014	2015	2016	2017	2018
APIs	42.0	36.8	42.0	49.9	42.4	45.9

Year Item	Import Value					
	2013	2014	2015	2016	2017	2018
APIs	55.0	54.5	65.0	62.1	66.0	65.2

Source: Import and Export Trade Statistics, Customs Administration, Ministry of Finance.

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

In 2018, the investment in Taiwan's biopharmaceutical industry was NT\$55.264 billion, an increase of 5.0% from NT\$52.616 billion in 2017. In terms of industries receiving investment, the investment in the pharmaceutical industry was the highest, reaching NT\$21.997 billion, a decrease of 3.9% compared with 22.891 billion in 2017, as the global economy in 2018 was affected by the increase in tariffs on imported products between the two major economies of the US and China, as well as the issue of Brexit. Thus, the players in this industry are very optimistic about the future prospects of the pharmaceutical industry.

The Taiwanese government has supported the biotechnology industry step by step over the years. In the future, with the promotion of innovation programs for the five major industries and the biomedical industry innovation promotion program, it is expected that by 2025, at least 20 new drugs will be launched abroad, at least 80 high-value medical devices will be launched abroad, and at least 10 health service flagship brands will be supported, driving the output values of Taiwan's pharmaceutical, medical device, and health and well-being industries to growth tremendously, from the current annual growth of 6% to 9%, to usher in opportunities for the output value to reach the trillion dollar mark. 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

In the field of FinTech, innovative technologies and services are constantly emerging, including disruptive payment innovations, platform as a service, blockchain technology, digital assistants, fully automation, FinTech incubators, digital banks, business alliances, advanced credit models, and Internet security.

At present, the methods of interaction between consumers and banks are constantly changing. Young people rarely go to physical banks for financial services. OTC services have gradually transitioned to online banking, such as online account query, transfer, and payment making, which is the initial transformation of banks in response to the digitalization of finance. With the maturity of mobile networking technology and the popularization of smart phones, bank customers can access a variety of banking services via the Internet at any time and any place, making financial life available at any time and promoting the development of mobile banking and mobile payment. In response to the advent of the Bank 4.0 era, various financial institutions have been making efforts to move toward unmanned banks and strengthen counter operation services in recent years. Under the trend of replacing old machines and strengthening the functions of new machines, abundant opportunities will definitely be brought to the market of financial automation services.

Financial automation equipment has developed from the past automatic cash dispenser (CD), automatic deposit machine (ADM), automated teller machine (ATM) to recycling automated teller machine (RATM), which greatly meets the customers' deposit and withdrawal demand and improve the efficiency of bank capital operation management. With the convenience of customers' introduction of finger vein card-free RATM, which was well received by the market, banks actively launched card-free withdrawal services. Because it is very convenient to conduct ATM transactions using one finger, the number of people applying for finger vein ATM withdrawals has increased significantly. Banks are also expanding the function of finger vein services. In addition to finger vein withdrawals, finger vein ATMs will be upgraded for deposit and transfer transactions so that transactions can be completed using only one finger; such an idea is very popular among the public and prompts banks to adopt more finger vein ATMs. In the future, in line with relevant financial laws and regulations, ATMs can also provide more innovative and convenient financial services, including online account opening and online loans, as well as biometric identification systems that will also be introduced. By integrating NFC technology and mobile banking, banks will provide more convenient financial services. The quality and service of MDS' RATM have won customers' trust, and its market share occupies a leading position. 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 ATMs in financial institutions has only increased rather than decreased. 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 will bring great potential for the ATM market.

According to the "Investigation Analysis of Mobile Payment Consumers" released by the Market Intelligence & Consulting Institute (MIC), the proportion of cash payments by Taiwanese people is 60%, indicating that cash is still the most commonly used payment tool for the general public. In the process of cash payment, there will inevitably be change, but too much change often also leads to the need to deposit the change or exchange it for bills, and for small businesses and vendors

that often receive many coins, whenever they intend to deposit money at the bank, the coins are heavy and inconvenient. Therefore, in order to quickly meet needs of the public and businesses, the ATM for coin change has been introduced. As long as the coins are poured into the machine, the coin deposit machine will automatically count the amount and complete the deposit, and the operation is very convenient. This is sufficient to meet the needs of the public and those businesses while reducing the number of visits to banks for the businesses and the operating cost for banks. Moreover, the Financial Supervisory Commission has approved the launch of change deposit machines since 2017, many banks are also interested in launching this product and service. In 2019, five banks have set up the machine at various points across Taiwan to attract consumers.

In terms of the public construction system integration and automation services, the huge crowds brought by the public transportation system have overwhelmed the capacity in the traditional manual ticketing and ticket inspection model. Instead, a convenient automated service system with stable functions is in place to reduce errors and save manpower. MDS is currently the main system integrator in the financial, telecommunications and transportation industries. A complete and dense service network is MDS' biggest advantage. It has 15 service centers in northern, central and southern Taiwan, including the outlying islands. MDS has over 200 maintenance engineers capable of providing its clients with prompt and professional repair services; thus, it has earned 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.)

The total premium revenue of the life insurance industry for 2019 amounted to NT\$3.285 trillion, a decrease of 0.3% from NT\$3.296 trillion in the previous year, of which the revenue from the initial annual premiums was NT\$1.0995 trillion, a decrease of 6.1% from NT\$1,171.5 billion in the previous year. The revenue from annual renewal premiums was NT\$2.186 trillion, an increase of 2.9% from NT\$2,124.8 billion in the previous year.

In order to reasonably evaluate the overall commodity operation status, as for whether the investment profit or loss is borne by the insurance company, another analysis is made to distinguish between traditional products and investment-linked products. The premium revenue from traditional products amounted to NT\$2,965.2 billion, an increase of 1.4% compared with last year's NT\$2,924.3 billion, of which the revenue from the initial annual premiums was NT\$859.5 billion, a decrease of 1.9% from the previous year, and the revenue from annual renewal premiums was NT\$2,105.6 billion, an increase of 2.8% from the previous year. The revenue from investment-linked insurance product premiums was NT\$320.3 billion, accounting for 9.75% of the total premium revenue, of which, the revenue from the initial annual premiums was NT\$239.9 billion while and the revenue from annual renewal premiums was NT\$80.3 billion.

##### (b) Development trend of channels

According to the statistics of the Life Insurance Association of the Republic of China, the annual premium revenue at the beginning of 2019 was NT\$1,099,482 million, of which the life insurance companies' own marketing system amounted to NT\$438,804 million, accounting for 39.91% and banks' channels reached NT\$571,161 million, accounting for 51.95%, while traditional insurance brokers and insurance agents only arrived at NT\$89.517 billion, accounting for 8.14%.

Banks' channels were the main source of current premium revenues. Due to the recent economic downturn in the overall economic environment and the bank's low fixed interest rate, along with other major environmental factors, interest rate-sensitive products and investment-linked products were favored by the public. In terms of risk data, the annual premium revenue from the general life insurance company, the Bank's general insurance channel, is substantially larger than the life insurance company, and the sales channels of traditional products such as health insurance and injury insurance are still the main sales channel. To maintain and increase premiums from new insurance contracts, companies have dedicated vast amounts of resources to developing and sustaining new sales channels. The following describes the trends in sales channel development:

① Sales representatives

In response to the financial crisis and IFRS4, European insurance companies are facing massive pressure due to large withdrawals from their liability reserves. Since 2008, a number of overseas insurance companies, such as ING, Prudential, TransGlobe, and MetLife began initiating partial or complete withdrawals of their operations in Taiwan. Faced with the withdrawal and resale of overseas insurance companies, as well as the development of various marketing channels in recent years through cross-sector alliances and cross-marketing in the group, the survival space of business personnel has been significantly reduced. However, for life insurance companies, talent management is the key to sustainable development. Moreover, the higher profit contribution from the insurance policies brought by salespeople still cannot to be underestimated. Therefore, life insurance companies have offered various financial subsidies and actively launched advertisements to shape their images this year, hoping to attract young salespeople to join. Currently, the life insurance industry still requires a constant supply of new employees to effectively improve the competitiveness of 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 4.28% in terms of total premium income in 2019, 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 2019, the sales of the global pharmaceutical market reached US\$1.2 trillion, a growth of 6.5% from 2018; the compound annual growth rate was 7% from 2019 to 2025. In 2025, the scale of the global pharmaceutical market is expected to reach US\$1.8 trillion.

By 2025, the global pharmaceutical market will reach a value of US\$1.8 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

In recent years, the Company has actively promoted to clients the latest generation of cash recycling ATM SR 7500 manufactured by Japan's Hitachi-Omron. In addition to the low energy consumption and eco-friendly features and super-large-capacity for banknotes, this new equipment provides thoughtful guidance on the screen for the staff to proceed with troubleshooting,

allowing the staff to identify problems easily and quickly to troubleshoot them, shorten the machine downtime, and improve the efficiency of the machine. At present, the sales volume of the SR 7500 model has exceeded about 2,000 units. In addition, the number of the CZ-5000T model sold has exceeded 4000 and the HT-2845-VS model has exceeded 8,000, respectively. The cash recycling ATM that the Company actively promotes has gradually become the best-selling model in the market and has gradually increased in the market share. To introduce products with differentiating advantages, the Company has 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 through the system. Cash is in the custody of the security personnel. This deposit machine is 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.

In addition, in order to meet the uninterrupted demand for services 7X24 in the financial industry, the introduction of STM is a smart bank service. Banking customers can interact and cooperate with tellers through the dedicated STM equipment and operation interface to quickly complete specific OTC transactions.

To help financial companies develop digital financing and smart branches, the Company has 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.

"Taiwanese dollar and foreign currency cash exchange machines" are the extension of RATMs, with the functions of document scanning and identification and foreign exchange and change making. Banks can extend the NT. dollar and foreign currency cash exchange machines to the two-way Taiwanese dollar and foreign currency cash exchange business, providing citizens or international travelers safe and convenient foreign exchange services.

Taiwan's banking market is becoming increasingly saturated and competitive for financial service providers, leading to reduced profitability. Future trends will therefore include integration and total solutions for comprehensive financial service provision for financial companies.



(b) System integration services

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 Service JDC, 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, Service JDC allows small and medium enterprises to manage the field personnel in cost-effective and user-friendly way.

(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

Unit: Thousand NT\$		
Category \ Year	2019	As of March 31, 2020
Retail of Daily Commodities and Food	9,145	1,337
Life Insurance	26,352	8,699
Pharmaceuticals	38,917	10,232
Information Services	146,134	32,357
Total	220,548	52,625

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

There is no dedicated R&D department in this aspect, but, from the consumer's perspective, the Company has continued to combine multiple innovative technologies, include multiple payment methods, and has introduced Easy Card transactions and payment depositing services, accepted payments from credit cards, all bank cards, and e-tickets such as iPASS Card; the multiple payment methods have increased consumers' satisfaction. Since the end of 2016, third-party payment tools have been introduced, including LINE Pay, PI, GAMA PAY, JKOS Pay, and Taiwan Pay, which are very common across Taiwan, allowing consumers to choose the appropriate payment method freely so as to expand the rewarding experience in mobile payment. Furthermore, the Company has been discussing marketing events actively with various businesses, through various marketing strategies such as reward points or various consumption rewards, in order to increase turnover and maintain discussion in the market.

At the end of 2018, Simple Mart began planning LINE electronic membership. The main objectives were, firstly, to introduce the original offline members into the online system in response to digital development, and secondly, to launch digital marketing targeting online members. In the process of developing a digital layout, the Company has developed a membership rewards program that combines digital marketing, booking, push notification, and offline payment upon in-store pickup to interact with consumers closely. As of the end of March 2020, there had been more than 100,000 electronic members.

It has also collected customers' ideas and suggestions through the membership system, thereby increasing the product lines. In 2018, the online platform "Go Simple Mart" was officially launched, to mainly provide high-unit-price and cost-effective products that are not sold in the physical channel of Simple Mart. It has a comprehensive and complete product matrix, and has successfully connected the online and offline purchase interests per member.

In addition, to complement the mailing and pickup service of the channel, it has cooperated with Palm Box since 2017 to install smart lockers in the stores to establish a new process of payment upon in-store pickup and self-service pickup, to enhance the convenience of consumers in sending and receiving packages, while attracting them to shop in physical stores through such services so as to increase the number of visitors. In the future, the Company will continue to introduce and optimize various services to provide consumers with comprehensive, convenient, and efficient services and experience.

As for the food and beverage segment, in 2019, the brand-new, smart and simple, unmanned self-service ordering service was launched at the store named "PLUS" under the Mercuries Beef Noodle Restaurant. Meanwhile, in response to the market demand, it has launched the most popular Napoli fried chicken specialty store in order to fully expand the niche market and strengthen regional competitive advantages. Furthermore, a mobile payment platform, JKOS, and the online ordering system have been activated, and a GPS cold chain monitoring system has been introduced 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, 2019, there were 26 employees (including department supervisors) at the Department of Products, accounting for approximately 1.6% of the total office personnel; 23 had a master's degree; and 1 obtained recognition from Fellow of the Society of Actuaries (FSA). 3 employees acquired recognition of Associate of the Society of Actuaries (ASA); 7 employees have worked at MLI for less than 2 years, another 9 for 2 to 5 years, another 8 for 5 to 8 years, and the remaining 6 for more than 8 years.

The successfully developed products are as follows:

Year	Name of Insurance
2019	MLI Xiangankang Anti-cancer Insurance (SAC)
	MLI Xinankang Anti-cancer Health Insurance (XAC)
	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 Chaoduoli USD Interest-sensitive Lifetime Insurance (SDZ)
	MLI Jiduoli USD Interest-sensitive Whole Life Insurance (GDZ)
	MLI Quality Life Insurance Accessory Contract (SYJR)
	MLI Century Dali Variable Universal Whole Life Insurance (NSVUL)
	MLI Century Dali Foreign Currency Variable Universal Whole Life Insurance (NFVUL)
	MLI Bodoli USD Interest-sensitive Whole Life Insurance (BDL)
	MLI Excellent Interest Heritage Variable Annuity Insurance (CHVA)
	MLI Excellent Interest Heritage Foreign Currency Variable Annuity Insurance (CHFVA)
	MLI Excellent Interest Heritage Variable Life Insurance (CHVL)
	MLI Excellent Interest Heritage Foreign Currency Variable Life Insurance (CHFVL)
	MLI Additional Clauses for Group Major Burns Increased Insurance
	MLI Additional Clauses for Group Accidental Injury Disability Assistance Insurance
	MLI Additional Clauses for Major Surgical Health Insurance Exclusive Program for College Student Groups
	MLI Baomeili USD Whole Life Insurance (BML)
	MLI Zengxin Self-Financed Hospitalized Medical Care Insurance Accessory Contract (DHSR)
	MLI Zengzheng Health Self-Financed Hospitalized Medical Care Insurance Accessory Contract (DZHRS)
	MLI Haomeili USD Whole Life Insurance (HML)
	MLI Zhongai Long-Term Disability Care Whole Life Health Insurance (JAD)
	MLI Jinanxin Premium Waiver Health Insurance Accessory Contract (JWPR)
	MLI Xiangcai Premium Waiver Health Insurance Accessory Contract (SWPR)
	MLI Jinanxin USD Premium Waiver Health Insurance Accessory Contract (MJWPR)
	MLI Xiangcai USD Premium Waiver Health Insurance Accessory Contract (MSWPR)
	MLI Aianxin Major Injury Whole Life Health Insurance (IAC)
	MLI Zhenhaoyun Injury Insurance Accessory Contract (JADDRT)
	MLI Shouankang Cancer Prevention Whole Life Health Insurance (CAC)
As of February 28, 2020	MLI Go Ankang Cancer Prevention Regular Health Insurance Accessory Contract (GOACR)
	MLI Go Fukang One Year Regular Cancer Prevention Health Insurance Accessory Contract (GOFGR)
	MLI Century Deli Variable Annuity Insurance (KVA)
	MLI Century Deli Foreign Currency Variable Annuity Insurance (KFVA)

	MLI Century Fuli Variable Universal Life Insurance (ASVUL)
	MLI Century Fuli Foreign Currency Variable Universal Life Insurance (AFVUL)
	MLI Gaoli USD Interest-sensitive Whole Life Insurance

### 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 2019, the R&D expenses increased by 5.61% from the previous year. SCI Pharmtech, Inc. continued to apply for patents on processes. With excellent international customer relationships, SCI Pharmtech, Inc. had unfailing 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. Recently successfully developed APIs for cannabidiol, glaucoma, and Alzheimer's disease, etc.

#### 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:

No.	Patent No.	Country
1	US 7,829,731 B2	USA
2	2228372	Europe
3	US 8,148,549 B2	USA
4	US 8,168,805 B2	USA
5	US 8,273,917 B2	USA
6	US 8,299,305 B2	USA
7	License No. 5143167	Japan
8	US 8,420,832 B2	USA
9	US 8,729,300 B2	USA
10	US 8,530,674 B2	USA
11	US 8,614,336 B2	USA
12	2386549	Europe
13	US 8,957,227 B2	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
Adenine CBD BK	oL-CooEt Olivetol	CBD OL-COOEt LMTM

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

- ※ Facial recognition card-free withdrawal and its application.
- ※ Mobile withdrawal via Taiwan Pay and QR Code scanning and its application.
- ※ ATM Taiwan foreign currency deposit and withdrawal function and its application.
- ※ Taiwanese dollar and foreign currency exchange machine and its application.
- ※ Teller cash recycler (TCR) and its application.
- ※ Extended coin module to increase ATM application.
- ※ Pre-processing system for IP-based ATM transactions.

B. System integration

- ※ National Fire Agency, Ministry of the Interior—Function upgrading project for 119 Service Command Dispatch System.
- ※ Electrification construction project for the Chaozhou section in Taitung of the Southern-link line of Taiwan Railway—Signal system in the system electromechanical turnkey project.

(4) Short-term & Long-term business development plans

A. Retail of daily commodities and food

a. Short-term plans

- (a) The Company has continue to optimize various functions of ERP, logistics management, and reduce relevant costs, while continuing to reduce unnecessary deterioration and scrapping.
- (b) Continuously increase the number of franchises, encourage outstanding employees to participate in the franchise, in order to improve the performance of each market.
- (c) Develop new products and adjust the product structure to improve profitability.
- (d) Control costs strictly and increase inventory turnover.
- (e) 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

In addition to providing customers with comprehensive life insurance products and services, the Company is committed to meeting customers' diversified needs for protection and wealth management, keeping abreast of market trends, and will launch high protection value-based products in response to market demands: development of health insurance or injury insurance products, from which stable mortality gains can be secured through diversification of risk based on law of large numbers. The development of long-term payment and US dollar-protected products enables the Company to earn a long-term and stable mortality gains, and the promotion of US dollar-protected life insurance can effectively reduce the Company's exchange rate hedging costs. In terms of development of insurance products for the elderly and specific groups, the Company will introduce featured insurance products to avoid price competition. The Company will develop secured regular term insurance products in response to low interest rate environment and get prepared for IFRS17.

### 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

Because of the high barriers to entry into the APIs market and strict regulations, the Company will strengthen the future development in the APIs market and the increase the proportion of APIs in the operations, which will increase the Company's future product competitiveness.

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

## 2. Market 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 2019

Unit: Thousand NT\$

Region	Retail of Daily Commodities and Food	Percentage
Taipei, Keelung, Yilan, and Hualien	10,209,745	48.53%
Taoyuan, Hsinchu, and Miaoli	3,587,867	17.05%
Taichung, Changhua, and Nantou	2,892,104	13.75%
Yunlin, Chiayi, and Tainan	1,742,881	8.28%
Kaoshiung and Pingtung	2,000,327	9.51%
Overseas and Mainland China Areas	17,494	0.08%
Subtotal	20,450,418	97.20%
Other Income	587,890	2.80%
Total	21,038,308	100.00%

b. Life insurance

There are a total of 6 branch offices, namely Taipei, Taichung, Chiayi, Tainan, Kaohsiung, and International Insurance, and 282 service offices have been established across the country. MLI has continued to reinforce its services 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 2019, MLI had 12,553 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		2018		2019		2020Q1	
		Sales	(%)	Sales	(%)	Sales	(%)
Export	Europe	791,522	40.80	1,271,195	53.96	472,682	60.27
	Americas	605,381	31.21	341,430	14.49	118,329	15.09
	Asia	289,858	14.94	502,512	21.33	123,101	15.70
	Others	39,296	2.03	19,555	0.84	24,667	3.13
	Subtotal	1,726,057	88.98	2,134,692	90.62	738,779	94.19
Domestic Sales		213,856	11.02	221,055	9.38	45,549	5.81
Total		1,939,913	100.00	2,355,747	100.00	784,328	100.00

d. Information services

The product sales in the 3 most recent years were primarily achieved in the domestic market. In 2019, domestic sales revenue accounted for 96.83% of total operating revenue, while export revenue accounted for 3.17% , 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

According to the data released by the Department of Statistics, Ministry of Economic Affairs, the cumulative turnovers of retail sale of cloths, clothes, the convenience store industry, and the retail and food industry in 2019 was NT\$283.5



billion, NT\$331.6 billion, and NT\$811.6 billion, respectively; the total turnover of the three industries was NT\$1.4267 trillion. The Company's 2019 annual revenue in retail of daily commodities and food amounted to NT\$21 billion, with a market ratio of around 1.47%.

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 2019, the following lists premium income and market share of major competitors of MLI:

Premium Income and Market Share of Local Insurance Companies in 2019

Unit: NT\$100 Million

	Company Name	2019			Company Name	2019	
		Amount	%			Amount	%
1	Cathay Life Insurance(Note1)	6,741	19.45	15	PCA Life Assurance(Note3)	466	1.34
2	Fubon Life Insurance(Note2)	5,962	17.20	16	Chubb Life Insurance(Note10)	297	0.86
3	Nanshan Life Insurance(Note9)	4,643	13.39	17	BNP Paribas Cardif TCB Life(Note6)	271	0.78
4	Shin Kong Life Insurance	3,182	9.18	18	Hontai Life	237	0.68
5	China Life Insurance Company(Note3)	2,799	8.07	19	First-Life Insurance(Note8)	170	0.49
6	Taiwan Life Insurance(Note11)	2,323	6.70	20	Prudential	168	0.48
7	Mercuries Life Insurance	1,485	4.28	21	Cigna Taiwan	112	0.32
8	Chunghwa Post	1,278	3.69	22	AIA Group Insurance	98	0.28
9	TransGlobe Life Insurance(Note5)	1,010	2.91				
10	Farglory Life	828	2.39				
11	BNP Paribas Cardif	821	2.37				
12	Allianz(Note4)	729	2.10				
13	BankTaiwan Life Insurance	537	1.55				
14	Yuanta Life(Note7)	508	1.47				

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, 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 30,495 ATMs in Taiwan. ATMs provided by MDS account for 45.90%, 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

With chain supermarkets and convenience stores actively opening new stores all over Taiwan in the past few years, the overall store growth rate has slowed down in the most recent year. In addition to the development in new metropolitan areas in the future, the traditional grocery store will be gradually transformed into the model of chain grocery stores, which will help the chain supermarket's development of new products and services at each chain store, to increase revenue from individual stores and overall stores.

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. In addition, as the convenience stores, such as 7-11 and Family Mart, have begun setting up tables and seats inside the stores and introducing fresh food products, the chain convenience stores have also become another competitor. Meanwhile, the recent rise of take-out services through the marketing model combining e-commerce has placed additional pressure on the industry.

b. Life insurance

Year	2015	2016	2017	2018	2019
Population (1,000 people)	23,463	23,516	23,556	23,580	23,596
National Income (NT\$ Million)	14,652,714	14,992,247	15,120,728	15,332,284	16,209,945
Number of Effective Contracts (in Thousand)	55,010	56,578	57,995	58,842	60,445
Coverage of Effective Contracts (NT\$ Million)	42,054,222	43,182,644	44,341,032	47,107,404	49,230,066
Total Premium Income (NT\$ Million)	2,926,677	3,133,357	3,420,233	3,511,560	3,466,688
Insurance Coverage (Note)	234.46%	240.59%	246.21%	249.54%	256.17%
Prevalence (Note)	287.01%	288.03%	293.25%	307.24%	303.70%
Premium as a Proportion of National Income	19.97%	20.90%	22.62%	22.90%	21.39%
Economic Growth	0.81%	1.41%	2.84%	2.60%	2.71%

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 2019 grew slightly compared to 2018, 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 7.0% from 2019 to 2025, and the scale of the global pharmaceutical market is estimated to reach US\$1.8 trillion in 2025. Currently, the biggest market remains North America. API 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

With the rapid development of technology, financial automation equipment has evolved from the past CD, ADM, ATM to RATM, which has greatly met customers' needs for deposit and withdrawal and improved the efficiency of banks' capital operation and management; therefore, the old ATMs that banks need to replace every year and the market demand for new ATMs for locations newly established every year will continue to increase.

MDS is an important system integrator in Taiwan. With the increasing complexity of computer products and the need for various systems to support each other, function integration is becoming more important. With the government's efforts toward comprehensive information and actively improving convenient services, the construction or integration of large-scale systems promoted by organizations in the financial and public service needs to rely on system integrators, such as MDS, to provide complete solutions. This is evidenced as MDS has received many large-scale integration projects in recent years. With the recovery of the economy and the expansion of public construction to boost the domestic demand, the overall market demand for computer system integration will increase significantly.

Integrated functions become increasingly important as computer products become increasingly complex and require mutual support between different systems. 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) Favorable Factors

- ① The brand is well-known and trusted by consumers.
- ② Has achieved an economy of scale with a profitable business model.

(c) 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 replacability 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.

(d) 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 Company's fundamental spirit. The Company won a total of 12 awards, namely the "Best Insurance Professional Award," "Best Social Responsibility Award," "Best Social Contribution Award," "Best Insurance Education Contribution Award," "Best Channel Strategy Award," "Best Communication Office Award," "Best Integrated Communication Award," "Best Product Creativity Award," "Best Professional Consultant Award—Life Insurance Sales Division," "Best Professional Consultant Award-Life Insurance Internal Division," and the "Best Insurance Achievement Award" at the 21th Faith, Hope & Love Awards of Insurance in 2019. Meanwhile, it won the "Best Product Category Award" and the "Best National Product Category Award" at the 16th National Brand Yushan Awards in 2019; "Twenty-Year Term Life Insurance Award" and "Pay-as-you-go Medical Payment Health Insurance Award" at the 2019 Insurance AI Awards; the "Best Brand Image Award" at the 2019 Excellent Insurance Selection organized by the magazine Excellence. The Company received the "Most Popular Life Insurance Company for Graduate Students of Finance - Internal (Sales) Division" for eight consecutive years from 2012 through 2019, which has demonstrated the Company has built up the image of innovation and stability. It is safe to say that MLI is a role model of new life insurance companies.

② Goal of stable business growth and achievements

The premium income from new policies amounted to NT\$33.9 billion in 2019; the total premium income was NT\$148.5 billion; available funds were NT\$1,143 billion, and total assets totaled NT\$1,259.9 billion, being ranked among the best new life insurance companies.

③ Complete product lines to provide customers with complete protection

The Company continued to pursue innovative and complete insurance products and services, and launched the first-ever life insurance policy in 2005. The first priority of the first-year life insurance policy was launched in 2008. The first-ever and second-year Renminbi life insurance policy launched in 2009 was launched in 2013. In addition, during 2007-2011 and 2014-2019 at the Faith, Hope & Love Awards of Insurance, the Company had won the "Best Product Creativity Award" multiple times. The Company's products had also been listed on the Smart Journal and Modern Insurance Magazine from 2015 through 2017. This has proved that the Company is innovative in thinking, researching, and developing insurance products that meet market demand, and aiming to become the most valuable life insurance company.

(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.

- ④ Growing demand for medical and healthcare products and services will lead to potentially high demands for medical insurance as well as home care insurance.
- ⑤ Release of new investment-type products will satisfy the requirements of the insured with varying degrees of risk tolerance.
- ⑥ The era of the Internet will lead to increases in digital sales and service requirements.
- ⑦ Issues caused by aging society and low birth rates will continue; the pension market will become a key focus.
- (c) Negative factors
  - ① Liberalization of fees has intensified competition among life insurance companies and increased the burden of operational expenses.
  - ② The era of low assumed interest rates and high premiums will lead to increased difficulty in marketing traditional life insurance products.
  - ③ Competent authorities may establish increasingly stringent regulatory requirements for products.
- (d) Response strategies
  - ① Improve asset and liability coordination and management to reduce potential financial and sales risks.
  - ② Promote diversification of sales channels and expand the sources of sales contact and interfaces.
  - ③ Release a diverse and comprehensive selection of life insurance products so that the insured could acquire the needed protection within a single purchase.
  - ④ Uphold the corporate culture and principle of "Commitment and Friendship for Life" to acquire the support of the insured.
- c. Pharmaceuticals
  - (a) Competitive niches
    - 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 2019, 19 customers conducted on-site audits and were satisfied with the auditing results. In addition, the FDA also conducted the fifth factory inspection in 2019 and the inspection result was "no deficiency found".
    - 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 17 patents.

③Cost

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. In recent years, the product gross margin has been raised to a level of about 40% with a complete supply chain, which was considered excellent for a manufacturing-intensive enterprise.

④Marketing

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

①Aging 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.

②Government 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.

③Friendly 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 tends 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.
- ③ The main body of the R&D building has been completed, and the equipment and instruments will be installed one after another. The Company's R&D momentum will continue to increase.
- ④ The Company should sign the API production contracts with new drug developers to increase long-term cooperation in clinical experiments.
- ⑤ The Company has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs.

d. Information services

(a) Competitive niches and positive factors for development vision

- ① MDS has more than 40 years of experience in the ATM market, making it possible to fulfill the customers' standards and requirements for technical support, product functions, and operational reliability.
- ② Banks have already started to replace manual labor with automated equipment as a key cost reduction strategy. This would increase the banks' demands for ATM, cash deposit machines, and passbook entry machines.



- 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.
  - ⑦Completion of large-scale integration projects provides additional experiences in the actual practice of system integration.
  - ⑧Once 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
- ①Changes in the machine models of automated financial systems will increase costs in hardware provision and maintenance.
  - ②Profitability is reduced due to price competition within the industry.
  - ③It becomes more difficult to identify all possible risks before the tendering process due to growing complexities of large-scale public projects.
- (c)Response strategies
- ①Actively 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.
  - ②Development of differentiated products: Cash deposit machines, extended coin modules to increase ATM applications, facial recognition card-free withdrawal, Taiwanese dollar and foreign currency exchange machines, etc.
  - ③Reduce 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).
  - ④Carefully review and apply for large-scale public work and projects to secure revenue with better profitability from subsequent maintenance and other related business opportunities.

⑤To 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.

⑥Strengthen 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.

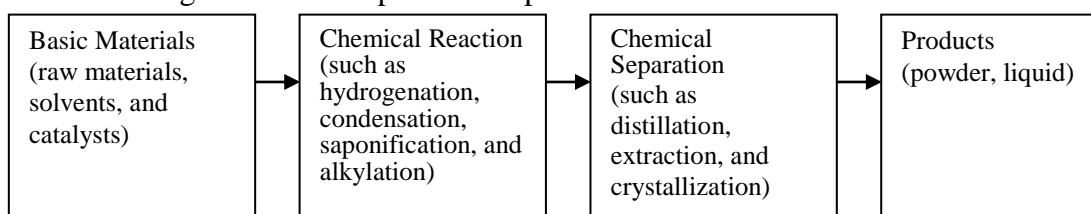
### C. Pharmaceuticals

#### a. Major uses of the primary products:

	Name of Primary Product	Primary Purpose
APIs	VA	Antiepileptic and anticonvulsant
	Probucol	Antiatherosclerosis
	Divalproate Sodium	Antiepileptic and anticonvulsant
	Propafenone Hydrochloride	Arrhythmia
	Duloxetine Hydrochloride	Anti-depression
	Allopurinol	Gout
	Clindamycin palmitate HCl	Antibiotics
	Articaine Hydrochloride	Anesthetics
	HOCLQ-Sulfate	Malaria, rheumatoid arthritis, and lupus erythematosus
	Brinzolamide	Glaucoma
	Sodium Valproate	Antiepileptic and anticonvulsant
	Pentobarbital Sodium	Anesthetics
	Methylphenidate HCl	Anti-ADHD
	Biso-FA	High blood pressure and angina pectoris
	Thiopental acid	Anesthetics
	Loxoprofen Sodium Hydrate	Heat-relieving pain relief
API Intermediate	Atomoxetine HCl	ADHD
	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	Heart rhythm disintegration
	Thiazole acid	Antitumor agent
	Olivetol	Antiepileptic
	PMDOL	Antiepileptic

#### 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\$

2018					2019				As of Q1 2020			
Item	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 2020(%)	Relationship with the Issuer
1	Taiwan Tobacco and alcohol	2,051,485	15.43	None	Taiwan Tobacco and alcohol	2,033,575	15.15	None	Taiwan Tobacco and alcohol	455,525	14.44	None
	Others	11,241,389	84.57		Others	11,386,631	84.85		Others	2,698,014	85.56	
	Net Purchase	13,292,874	100.00		Net Purchase	13,420,206	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 NT\$

2018					2019				As of Q1 2020			
Item	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net sales for the Current Year up to Q1 2020(%)	Relationship with the Issuer
1	Customer A	291,281	15.02	None	Customer B	345,627	14.67	None	Customer B	106,298	13.55	None
2	Customer B	229,413	10.35	None	Customer C	286,704	12.17	None	Customer C	101,761	12.97	None
3	Others	1,419,219	74.63		Others	1,723,416	73.16		Others	576,269	73.48	
	Net Sales	1,939,913	100.00		Net Sales	2,355,747	100.00		Net Sales	784,328	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: The newly added client C in 2019 was the main client, but because of the completion of its inventory adjustment, the orders placed in 2019 increased. In fact, client C has always been one of the Company's important clients.

In 2018, for major client A, to have its inventory reduced, the number of orders placed in 2019 decreased by about NT\$200 million, a decrease of 69.02%, but client A remained the seventh largest client in 2019.

### c. Primary goods supplier

Unit: Thousand NT\$

2018					2019					As of Q1 2020				
Item	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Item	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Item	Name	Amount	Percentage of Net Purchase for the Current Year up to Q1 2020 (%)	Relationship with the Issuer
1	Nantong	191,243	28.92	None	1	Nantong	204,568	26.93	None	1	Nantong	36,506	21.72	None
2	Trans Chief	90,931	13.75	None	2	Trans Chief	82,340	10.84	None	2	Evonik	20,993	12.49	None
3	Others	379,218	57.33		3	Others	472,641	62.23		3	Others	110,612	65.79	
	Net Purchase	661,392	100.00			Net Purchase	759,549	100.00			Net Purchase	168,111	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: There was no change in the top two largest suppliers in 2019. In the first quarter of 2020, supplier Evonik's net purchase ratio rose to 12.49% due to a change in product mix, ranking second. The original second largest supplier in the previous two years, Trans Chief, was still the Company's important supplier, ranking fourth in this quarter.

### D. Information services

#### List of Major Customers for the Most Recent Two Years

Unit: Thousand NT\$

2018					2019				As of Q1 2020			
Item	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Current Year up to Q1 2020(%)	Relationship with the Issuer
1	Customer A	441,004	13.15	None	Customer A	-	-	-	Customer A	68,740	12.50	None
2	Customer B	362,561	10.81	None	Customer B	-	-	-	Customer B	-	-	-
3	Customer C	-	-	-	Customer C	318,935	10.49	None	Customer C	-	-	-
4	Customer D	-	-	-	Customer D	-	-	-	Customer D	60,943	11.09	None
6	Others	2,550,477	76.04		Others	2,720,751	89.51		Others	420,093	76.41	
	Net Sales	3,354,042	100.00		Net Sales	3,039,686	100.00		Net Sales	549,776	100.00	

Reason for changes: Based upon business needs.

#### List of Major Suppliers in the Most Recent Two Years

Unit: Thousand NT\$

2018					2019				As of Q1 2020			
Item	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 2020 (%)	Relationship with the Issuer
1	Hitachi-Omron Terminal Solutions, Corp.	767,711	29.93	None	Hitachi-Omron Terminal Solutions, Corp.	363,044	17.60	None	Hitachi-Omron Terminal Solutions, Corp.	122,394	26.19	None
2	Systemcom Co., Ltd.	264,055	10.29	None								
3	Others	1,533,362	59.78		Others	1,700,090	82.40		Others	344,986	73.81	
	Net Purchase	2,565,128	100.00		Net Purchase	2,063,134	100.00		Net Purchase	467,380	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	2018			2019		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
APIs			386	714,093		722	1,151,494
API intermediate		3,700	170	291,602	3,700	134	489,871
Others			815	75,181		1,126	149,642
Total		3,700	1,371	1,080,876	3,700	1,982	1,791,007

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	Year	Sales Value in 2018	Sales Value in 2019
Retail of daily commodities and food		20,568,682	21,038,308

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	2018		2019	
	Number of Effective	Total Premium Income	Number of Effective	Total Premium Income
Life Insurance	3,393,204	85,889,560	3,446,337	78,704,084
Health Insurance	8,557,152	36,095,026	8,598,223	36,723,389
Accident Insurance	3,475,349	3,317,349	3,544,672	3,374,832
Pension Insurance	40,070	331,338	30,569	200,603
Universal	25,677	616,353	23,856	565,199
Investment	290,548	2,003,573	312,289	2,196,546
Group Insurance	944,876	703,109	1,071,471	812,846
Total	16,726,876	128,956,308	17,027,417	122,577,499

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\$

<div> <div>Year</div> <div>Production Volume/Value</div> <div>Primary Product (or Department)</div> </div>	2018				2019			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
APIs	22.83	38,207	403.27	1,166,345	29.66	65,375	589.64	1,480,894
API Intermediate	39.46	30,147	199.23	553,642	0.01	322	188.04	627,641
Others	1,007.24	145,503	0	6,069	1,154.38	154,511	0.01	27,004
Total	1,069.53	213,857	602.50	1,726,056	1,184.05	220,208	777.69	2,135,539

### D. Information services

Unit: Thousand NT\$

<div> <div>Year</div> <div>Production Volume/Value</div> <div>Primary Product (or Department)</div> </div>	2018				2019			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Automated Financial Service Machines	3,690	1,240,589			2,692	723,190		
System Integration Services		1,155,589				1,333,142		
Maintenance and Repairs		678,450				790,316		
Others		239,829		39,585		96,675		96,363
Total	3,690	3,314,457		39,585	2,692	2,943,323		96,363

### 3. Information of employees for the 2 most recent years

Major Invested Company	Year		2018	2019	(Note)
	Item				
Retail of Daily Commodities and Food	Number of Employees	General Employees	4,672	4,591	4,550
		Hourly Employees	4,113	4,493	4,540
		Total	8,785	9,084	9,090
	Average Age		29.60	28.95	29.00
	Average Years of Service		2.90	5.02	3.02
	Education Distribution (%)	PhD	0	0	0
		Master	0.90%	0.71%	0.70%
		University/College	46.23%	50.63%	51.94%
		High School	33.62%	46.13%	45.31%
		Below High School	19.25%	2.53%	2.05%
Life Insurance	Number of Employees	Office Staff	1,612	1,646	1,646
		Field Staff	14,618	12,553	12,231
		Total	16,230	14,199	13,877
	Average Age		37.51	38.90	39.15
	Average Years of Service		8.35	9.48	9.71
	Education Distribution (%)	PhD	0.01%	0.01%	0.01%
		Master	5.87%	6.38%	6.51%
		University/College	72.08%	72.29%	72.02%
		High School	21.63%	20.83%	20.93%
		Below High School	0.41%	0.49%	0.53%
Pharmaceuticals	Number of Employees	Managerial Level or Above	11	12	12
		General Employees	242	253	257
		Total	253	265	269
	Average Age		39.09	39.13	39.15
	Average Years of Service		9.00	9.20	9.12
	Education Distribution (%)	PhD	3.58%	3.40%	2.97%
		Master	13.15%	13.21%	12.64%
		University/College	55.78%	54.34%	54.28%
		Senior or Vocational High School	12.75%	12.45%	13.01%
		Below High School	14.74%	16.60%	17.10%
Information Services	Number of Employees	Sales	87	85	89
		Hardware Services	357	362	368
		Software Services	200	205	215
		Administration	92	96	96
		Total	736	748	768
	Average Age		39.23	39.55	39.52
	Average Years of Service		8.48	9.05	9.36
	Education Distribution (%)	PhD	0.09%	0.14%	0.14%
		Master	7.25%	6.91%	7.01%
		University/College	88.86%	87.68%	87.86%
		High School	3.71%	5.14%	4.86%
		Below High School	0.09%	0.13%	0.13%

Note: For Life Insurance was acquired as of Feb. 28, 2020 ; for Pharmaceuticals, Retail of Daily Commodities and Food were acquired as of March 31, 2020; for Information Services, information was acquired as of May 15, 2020.

#### 4. Environmental protection expenditure

In the most recent year and up to the printing date of this annual report, the losses incurred due to environmental pollution (including compensation and violation of environmental protection laws and regulations in environmental protection audit results; the date of penalty, the penalty official letter number, the provisions of the regulations, the content of the regulations, and the content of the penalty shall be specified) and the possible amounts estimated for the present and the future as well as response measures shall be disclosed. If it cannot be reasonably estimated, the reason that it cannot be reasonably estimated shall be specified.

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

The Company has environmental pollution concerns in retail of daily commodities; thus, no expenses was incurred in environmental protection. All wastewater, garbage, and air pollution generated have undergone anti-contamination treatments. A subcontracting fee amounting to NT\$16,157 thousand was paid to the service provider every year to handle wastes produced from business.

##### B. Life insurance

There was no compensation or penalty for losses caused by environment pollution. In the selection of suppliers, the Company pays attention to whether the supplier protects the ecology, maintains the environment, and does not produce pollution. It will give priority to purchasing various consumables and materials with environmental protection marks or renewable resources, with the aim of protecting the earth through supply chain management. In addition, there are plans for materials of new buildings and energy consumption of equipment for existing buildings. In addition to the use of green energy building materials, the old air conditioners and old lamps that consume more energy and cause more burden to the natural environment will be replaced. With electricity-saving and energy-efficient equipment, the Company aims to minimize the impact on the environment during the operation. The amount of green procurement in 2019 was approximately NT\$5.82 million.

##### 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).It has expired and the application for renewal is underway, which is expected to be completed by the end of April.

② Exhaust gas treatment

Fixed source of pollution	Permit No./ Valid date
Pharmaceutical production/general production process M01	Fu-Huan-Kong-Tzu No.1060296196, permit number for operations: H6175-00; Valid date: Dec. 5, 2022
Boiler and steam generating processes M02	Fu-Huan-Kong-Tzu No.1060031278, permit number for operations: H4714-03; Valid date: Jun. 11, 2023
Hating processes M03	Fu-Huan-Kong-Tzu No.1060031381, permit number for operations: H4715-03; Valid date: Jun. 11, 2023
Drug manufacturing/general manufacturing processes M04	Fu-Huan-Kong-Tzu No.1060031404, permit number for operations: H5777-01; Valid date: Mar. 17, 2021

③ Waste solvent handling

The Company has established solvent distillation and recycling towers 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.

The Company has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs.

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 2019, air pollution prevention fees paid amounted to NT\$1,237,390. Subcontracted processing fees amounted to NT\$79,325,921; internal processing expenses amounted to NT\$28,942,649.

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

A total of 10 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.
  - (f) The Company has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs.
- 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 2019, a total of 90,475 individuals participated in preliminary training and on-job training held inside and outside the Company. Total training expenses amounted to NT\$26,060 thousand.
- 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 2019, employee benefits, continuing education, training, and retirement systems were well implemented according to the regulations.
- B. In the most recent year and up to the printing date of this annual report, the losses incurred due to labor disputes (including violations of the Labor Standards Act in labor inspection results; the date of penalty, the penalty official letter number, the provisions of the regulations, the content of the regulations, and the content of the penalty shall be specified) and the possible amounts estimated for the present and the future as well as response measures shall be disclosed.

a. Retail of daily commodities and food

According to the Taipei City Department of Labor Official Letter No. 10860317211 issued on October 24, 2019, some part-time employees worked for seven consecutive days based on the attendance records; they did not take days off as required by laws, which was in violation of Paragraph 1, Article 36 of the Labor Standards Act; thus, the Company was imposed with a fine of NT\$20,000; except for that, there are no other losses incurred due to labor disputes. The future possible loss estimated: NT\$0.

b. Life insurance

(a) Loss incurred as a result of labor disputes in the most recent year.

Unit: NT\$ thousand

Item	2019	As of the first quarter in 2020
(1) Labor disputes (cases)	8	-
(2) Incurred loss amount	-	-
(3) Estimated potential loss in the future	25,854	-
(4) Response measures by the Company	Answers are being filed for eight cases.	

(b) Violation of the Labor Standards Act in labor inspection: None.

c. Pharmaceuticals

(a) The Company always attaches great importance to employee benefits, two-way communication, and compliance with relevant laws and regulations; therefore, the labor-management relations are quite harmonious. Since the incorporation of the Company, there has been no labor dispute resulting in any loss. In the future, the Company will continue to improve labor-management communication and do its best to provide employee benefits properly to enhance the harmony of labor-management relations.

(b) Potential current and future losses: NT\$0.

(c) Response measures: N/A.

d. Information services

There was no loss incurred due to labor disputes; the Company will continue to take care of employees and share benefits, while fully communicating with employees in order to maintain the currently positive labor-management relations.

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 2019, 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	108.10~111.10	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	108.08~110.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	E. Sun Bank	108.08~110.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Shin Kong Bank	108.09~110.09	Long-term loan to support operation capital and improve financial structure	None
Loan contract	First Bank	109.02~111.02	Long-term loan to support operation capital and improve financial structure	None
Loan contract	JihSun Bank	108.06~110.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	BEA Bank	108.05~110.05	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taipei Fubon Bank	109.01~111.01	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taiwan SME Bank	108.09~110.09	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Land Bank	109.01~111.01	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	108.12~113.12	Syndicated loan in response to medium-term working capital and improvement in the financial structure	Note 1

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

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



## VI. Financial Information

### 1. Five-year financial summary

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

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

Unit: Thousand NT\$

Year Item		Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		165,333,265	149,832,739	152,552,568	160,854,167	187,578,588
Property, plant, and equipment Right-of-use assets (Note 1)		14,629,851	15,400,800	15,272,753	15,349,993	18,409,942
Intangible assets		68,257	61,612	127,112	200,649	220,865
Other assets		699,047,326	803,493,776	904,522,834	986,786,826	1,077,390,557
Total assets		879,078,699	968,788,927	1,072,475,267	1,163,191,635	1,283,599,952
Current liabilities	Before distribution	11,509,108	13,941,747	14,218,340	12,999,499	15,229,734
	After distribution	11,917,912	14,442,526	14,830,709	13,412,840	16,056,417 (Note 2)
Non-current liabilities		838,889,481	921,284,469	1,017,405,443	1,121,371,279	1,224,519,214
Total liabilities	Before distribution	850,398,589	935,226,216	1,031,623,783	1,134,370,778	1,239,748,948
	After distribution	850,807,393	935,726,995	1,032,236,152	1,134,784,119	1,240,575,631 (Note 2)
Total equity attributable to owners of the parent		11,593,981	14,119,373	16,916,015	10,863,603	18,029,386
Common stock		6,813,409	7,153,989	7,654,617	8,266,827	8,266,827
Capital surplus		965,886	1,032,182	1,012,896	2,233,713	1,913,534
Retained earnings	Before distribution	6,449,865	7,816,486	8,410,394	6,599,377	10,121,738
	After distribution	5,700,391	6,814,928	7,185,656	6,599,377	8,468,373 (Note 2)
Other equity interest		(2,102,507)	(1,350,612)	370,780	(5,703,642)	(1,740,041)
Treasury stocks		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Non-controlling interest		17,086,129	19,443,338	23,935,469	17,957,254	25,821,618
Total equity	Before distribution	28,680,110	33,562,711	40,851,484	28,820,857	43,851,004
	After distribution	28,271,306	33,061,932	40,239,115	28,407,516	43,024,321 (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 27, 2020, the Board of Directors decided to distribute cash dividends and stock dividends in the amount of NT\$826,683 thousand, respectively, pending the resolution at 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				
	2015	2016	2017	2018	2019
Operating revenue	192,967,661	205,368,649	238,955,722	225,193,699	229,285,364
Operating margin(loss)	--	--	--	--	--
Net operating income (loss)	--	--	--	--	--
Non-operating income and expense	--	--	--	--	--
Profit (loss) before tax	4,217,333	3,770,725	3,824,660	(328,223)	7,183,336
Net profit (loss) from continuing operations	3,133,276	3,616,744	3,396,996	486,301	6,931,995
Income from discontinued	--	--	--	--	--
Net profit (loss) for the year	3,133,276	3,616,744	3,396,996	486,301	6,931,995
Other comprehensive income (loss)(income after tax)	(3,051,527)	1,533,820	3,585,105	(15,476,737)	8,815,334
Total comprehensive income for The year	81,749	5,150,564	6,982,101	(14,990,436)	15,747,329
Net profit (loss) attributable to Owners of parent	1,474,715	2,049,513	1,640,955	332,019	3,494,833
Net profit (loss) attributable to Non-controlling	1,658,561	1,567,231	1,756,041	154,282	3,437,162
Total comprehensive income (loss) attributable to Owners of parent	(7,267)	2,866,570	3,389,212	(6,760,679)	7,486,548
Total comprehensive income (loss) attributable to Non-controlling interests	89,016	2,283,994	3,592,889	(8,229,757)	8,260,781
Earnings per share	1.89	2.63	2.11	0.43	4.48

(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				
		2015	2016	2017	2018	2019
Current assets		387,184	252,171	271,234	250,051	222,856
Property, plant, and equipment (PP&E) (Note 1)		392,983	414,256	380,724	376,626	2,451
Intangible assets		--	--	--	--	--
Other assets		19,346,630	21,819,613	24,936,956	18,478,614	26,161,770
Total assets		20,126,797	22,486,040	25,588,914	19,105,291	26,387,077
Current liabilities	Before distribution	219,479	94,626	177,800	216,282	175,134
	After distribution	628,283	595,405	790,169	629,623	1,001,817 (Note 2)
Non-current liabilities		8,313,337	8,272,041	8,495,099	8,025,406	8,182,557
Total liabilities	Before distribution	8,532,816	8,366,667	8,672,899	8,241,688	8,357,691
	After distribution	8,941,620	8,867,446	9,285,268	8,655,029	9,184,374 (Note 2)
Common stock		6,813,409	7,153,989	7,654,617	8,266,827	8,266,827
Capital surplus		965,886	1,032,182	1,012,896	2,233,713	1,913,534
Retained earnings	Before distribution	6,449,865	7,816,486	8,410,394	6,599,377	10,121,738
	After distribution	5,700,391	6,814,928	7,185,656	6,599,377	8,468,373 (Note 2)
Other equity interest		(2,102,507)	(1,350,612)	370,780	(5,703,642)	(1,740,041)
Treasury stock		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Total equity	Before distribution	11,593,981	14,119,373	16,916,015	10,863,603	18,029,386
	After distribution	11,185,177	13,618,594	16,303,646	10,450,262	17,202,703 (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\$ 8,796,000 has reclassified to retained earnings in accordance with Taiwan IFRSs starting from January 1,2012.

Note 2: On March 27, 2020, the Board of Directors decided to distribute cash dividends and stock dividends in the amount of NT\$826,683 thousand, respectively, pending the resolution at the shareholders' meeting.

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

Unit: Thousand NT\$

<div>Year</div> <div>Item</div>	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Operating revenue	1,907,589	2,354,851	1,963,153	680,260	3,743,602
Operating margin(loss)	1,874,935	2,301,870	1,947,412	664,482	3,723,166
Net operating income (loss)	1,720,117	2,154,290	1,807,427	557,356	3,562,562
Non-operating income and expense	(92,360)	(105,295)	(64,998)	(57,512)	(68,829)
Profit (loss) before tax	1,627,757	2,048,995	1,742,429	499,844	3,493,733
Net profit (loss) from continuing operations	1,474,715	2,049,513	1,640,955	332,019	3,494,833
Income from discontinued operations	--	--	--	--	--
Net profit (loss) for the year	1,474,715	2,049,513	1,640,955	332,019	3,494,833
Other comprehensive income (loss) (income after tax)	(1,481,982)	817,056	1,748,257	(7,092,698)	3,991,716
Total comprehensive income for the year	(7,267)	2,866,569	3,389,212	(6,760,679)	7,486,549
Net profit (loss) attributable to Owners of parent	1,474,715	2,049,513	1,640,955	332,019	3,494,833
Net profit (loss) attributable to Non-controlling interests	1,658,561	1,567,231	1,756,041	154,282	3,437,162
Total comprehensive income (loss) attributable to Owners of parent	(7,267)	2,866,569	3,389,212	(6,760,679)	7,486,549
Total comprehensive income (loss) attributable to Non-controlling interests	89,016	2,283,994	3,592,889	(8,229,757)	8,260,781
Earnings per share	1.89	2.63	2.11	0.43	4.48

### (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
2019	BDO Taiwan	Liu, Ke-Yi and Hsu, Kun-Hsi	Unqualified opinion	-
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	-

## 2. Five-year financial analysis

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

Item analyzed \ Year		Financial analysis for the last five years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	96.74	96.54	96.19	97.52	96.58
	Ratio of long-term capital to property, plant and equipment	5,930.13	6,199.98	6,929.05	7,493.11	6,889.59
Solvency (%)	Current ratio	1,436.54	1,074.71	1,072.93	1,237.39	1,231.56
	Quick ratio	1,401.68	1,042.83	1,041.62	1,201.98	1,198.39
	Interest earned ratio (times)	2,761.79	2,589.88	2,953.90	(208.57)	5,088.88
Operation performance	Accounts receivable turnover (times)	2.52	2.53	2.55	2.47	2.37
	Average collection period	144.93	144.46	142.95	147.68	154.06
	Inventory turnover (times)	3.50	3.43	3.69	3.83	3.68
	Accounts payable turnover (times)	6.42	6.37	6.75	7.03	7.22
	Average days in sales	104.29	106.41	98.92	95.30	99.18
	Property, plant, and equipment turnover (times)	13.51	13.68	15.58	14.71	12.16
	Total asset turnover(times)	0.23	0.22	0.23	0.20	0.19
Profitability	Return on total assets (%)	0.38	0.41	0.34	0.05	0.58
	Return on equity (%)	11.09	11.62	9.13	1.40	19.08
	Ratio of income before tax to paid-in capital (%)	61.90	52.71	49.97	(3.97)	86.89
	Profit ratio (%)	1.62	1.76	1.42	0.22	3.02
	Earnings per share (NT\$)	1.89	2.63	2.11	0.43	4.48
Cash flow	Cash flow ratio (%)	426.73	675.21	719.74	159.10	629.73
	Cash flow adequacy ratio (%)	564.91	692.48	851.47	1,088.51	1,853.13
	Cash reinvestment ratio (%)	5.55	9.76	9.58	1.74	7.43
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. Increase in interest coverage ratio: Mainly because of a substantial increase in net profit before tax for the current period. 2. Increase in various financial indicators of profitability: Mainly because of a substantial increase in profit for the current period. 3. Increase in various financial indicators of cash flow ratio: A substantial increase in profit for the current period was mainly because of increase in cash flow from operating activities.						

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

Year Item analyzed		Financial analysis for the last five years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	42.40	37.21	33.89	43.14	31.67
	Ratio of long-term capital to property, plant and equipment	5,065.69	5,405.21	6,674.42	5,015.32	1,069,438
Solvency (%)	Current ratio	176.41	266.49	152.55	115.61	127.25
	Quick ratio	176.08	266.18	152.20	115.58	126.99
	Interest earned ratio (times)	1,424.18	1,783.93	1,796.09	716.16	4,286.22
Operation performance	Accounts receivable turnover (times)	22.30	86.02	78.64	51.40	235.42
	Average collection period	16.37	4.24	4.64	7.10	1.55
	Inventory turnover (times)	0.03	--	--	--	--
	Accounts payable turnover (times)	0.05	445.22	--	--	--
	Average days in sales	--	--	--	--	--
	Property, plant, and equipment turnover (times)	1.36	5.83	4.94	1.80	19.75
	Total asset turnover(times)	0.09	0.11	0.08	0.03	0.16
Profitability	Return on total assets (%)	7.38	10.09	7.18	1.78	15.66
	Return on equity (%)	12.53	15.94	10.57	2.39	24.19
	Ratio of income before tax to paid-in capital (%)	23.89	28.64	22.76	6.05	42.26
	Profit ratio (%)	77.31	87.03	83.59	48.81	93.35
	Earnings per share (NT\$)	1.89	2.63	2.11	0.43	4.48
Cash flow	Cash flow ratio (%)	6.18	178.09	360.02	106.23	207.69
	Cash flow adequacy ratio (%)	33.95	27.48	34.14	41.99	36.50
	Cash reinvestment ratio (%)	(1.97)	(1.07)	0.55	(2.01)	(0.19)
Leverage	Operating leverage (DOL)	1.00	1.00	1.00	1.00	1.01
	Financial leverage (DFL)	1.08	1.06	1.06	1.17	1.02

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

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

1. Increase in the ratio of liabilities to assets and the ratio of long-term funds to property, plant and equipment: The increase in total assets and shareholders' equity was mainly because of the increase in unrealized valuation loss on financial assets of the life insurance business.
2. Increase in interest coverage ratio: Mainly because of a significant increase in profit in the current period.
3. Increase in accounts receivable turnover, average collection period, property, plant, and equipment turnover, and total asset turnover: Mainly because of the increase in the gain on investments accounted for using the equity method.
4. Increase in various financial indicators of profitability: Mainly because of a substantial increase in profit in the current period.
5. Increase in cash flow ratio: Mainly due to the increase in cash inflow from operating activities as a result of an increase in profit in the current period.
6. Increase in cash reinvestment ratio: Mainly due to the increase in cash inflow from operating activities in the current period compared to the previous period.

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 2019 various statements of MERCURIES & ASSOCIATES HOLDING, LTD., which include the balance sheet of December 31, 2019, 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 2019. 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, 2019, 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 27, 2020



## Mercuries & Associates Holding, LTD.

### Audit Committee' Review Report

2019 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 14-4 of Securities and Exchange Act. and Article 219 of the Company Act.

To

2020 Annual Shareholders' Meeting

Audit Committee Convenor: Lee, Mao

March 27, 2020

4. Consolidated financial statements for the years ended December 31, 2019 and 2018, and independent auditors' report.

Please refer to page 121 of the Chinese annual report.

5. Individual financial statements for the years ended December 31, 2019 and 2018, and independent auditors' report

Please refer to page 247 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	2019	2018	Difference	Proportion of change %	Notes
Current assets	187,578,588	160,854,167	26,724,421	16.61	
Property, plant, and equipment	18,409,942	15,349,993	3,059,949	19.93	
Right-of-use assets					
Intangible assets	220,865	200,649	20,216	10.08	
Other assets	1,077,390,557	986,786,826	90,603,731	9.18	
Total assets	1,283,599,952	1,163,191,635	120,408,317	10.35	
Current liabilities	15,229,734	12,999,499	2,230,235	17.16	
Non-current liabilities	1,224,519,214	1,121,371,279	103,147,935	9.20	
Total liabilities	1,239,748,948	1,134,370,778	105,378,170	9.29	
Common stock	8,266,827	8,266,827	0	-	
Capital surplus	1,913,534	2,233,713	(320,179)	(14.33)	
Retained earnings	10,121,738	6,599,377	3,522,361	53.37	1
Other equity	(1,740,041)	(5,703,642)	3,963,601	69.49	2
Treasury stock	(532,672)	(532,672)	0	-	
Non-controlling interest	25,821,618	17,957,254	7,864,364	43.79	3
Total equity	43,851,004	28,820,857	15,030,147	52.15	3
Analysis of changes in ratios: (analysis would not be required if the change is within 20%)					
1. Mainly due to increase in profit for the period.					
2. It was mainly due to the significant increase in other comprehensive profit or loss in the current period which was reclassified using the overlay approach.					
3. It was mainly due to the increase in profit for the period and the significant increase in other comprehensive profit or loss using the overlay approach.					

### 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	2019	2018	Sum of the gain (loss)	Proportion of change (%)	Item analyzed
Total operating revenue	229,285,364	225,193,699	4,091,665	1.82	
Total operating cost	(222,102,028)	(225,521,922)	(3,419,894)	1.52	
Profit(loss) before tax from continuing operations	7,183,336	(328,223)	7,511,559	2,288.55	1
Income tax	(251,341)	814,524	(1,065,865)	130.86	2
Net Profit(loss) from continuing operations	6,931,995	486,301	6,445,694	1,325.45	1
Analysis of changes in ratios: (analysis would not be required if the change is within 20%)					
1. The significant increase in net profit before tax was mainly due to the financial assets at fair value through profit or loss turning from loss in the previous period to profit in current period.					
2. This was mainly due to the decrease in deferred tax income arising from temporary differences.					

(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	635.67
API Intermediate	160.45
Others	599.00
Total	1,395.12

B. Basis:

The estimated sales volume in the above table came from the total budget for 2019 adopted by the Board of Directors. The sales volume was estimated based on the forecast of customers' demand, the Company's production capacity, the capacity for product development, and the forecast of new product launches.

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

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

3. Cash flow:

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

Items \ Years	December 31, 2019	December 31, 2018	Proportion of change %
Cash flow ratio %	626.73	159.10	293.92
Cash flow adequacy ratio %	1,853.13	1,088.51	70.24
Cash reinvestment ratio %	7.43	1.74	327.01
Analysis of the proportion of change: The improvement of various cash flow ratios and financial indicators: Mainly because of the substantial increase in profit in the current period, which was the result of the increase in cash inflows from operating activities.			

(2) Analysis of cash liquidity in 2019:

Unit: Thousand NT\$

Cash at beginning of year①	Cash flows from operating activities for the entire year②	Cash outflow for the entire year ③	Sum of cash surplus (inadequacy) ①+②-③	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
69,078,201	95,449,885	68,119,329	96,408,757	—	—
1. Analysis of changes to cash flow for this year: (1) Operating activities: The increase in cash inflow from operating activities compared with the previous period was mainly due to the decrease in financial assets at fair value through profit or loss in 2019. (2) Investing activities: The increase in cash outflow from operating activities in the current period was mainly due to the increase in the investment in financial assets at amortized cost and financial assets at fair value through other comprehensive income. (3) Financing activities: The increase in cash inflow in financing activities in the current period was mainly due to the increase 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 year①	Expected cash flows from operating activities for the entire year②	Expected cash outflow for the entire year③	Expected sum of cash surplus (or inadequacy) ①+②-③	Remedial measures for expected cash inadequacy	
				Investment plan	Financing plan
96,408,757	79,263,423	124,089,206	51,582,974	—	—
<p>1. Analysis of changes in cash flows for the year:</p> <p>(1) Operating activities: The net cash flow of business activities in 2020 is expected to decrease compared with 2019. The main reason is that investment-linked products continued to be popular in 2019, resulting in a decrease in premium income from other traditional products in 2020 compared with 2019.</p> <p>(2) Investing activities: In response to the need for investment, it is expected that the investment in stock and bond positions will increase, resulting in a increase in the cash outflow in 2020 compared with 2019.</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 expansion of the central kitchen, the addition of low-temperature warehouses this year could provide a frozen storage space for 1,960 pallets, and the addition of the fresh food processing area would lead to an increase in self-made products and improve product quality, while enhancing production efficiency and increasing in product gross profit. The rest was for decoration of new stores; thus, there was no significant capital expenditure.

(2) Life insurance

There was no significant capital expenditure in 2020.

(3) Pharmaceuticals

The capital expenditures in 2020 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 2020.

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 2019, there was no material changes in the Company's investment in other companies.

(2) Main reasons for profit / loss resulting therefrom

The reason for the increase in profit in 2019 was mainly due to the increase in investment income of the life insurance industry. For details of the profit or loss of each investee in 2019, please see pages 150 to 151 of this annual report.

(3) Improvement plan

The overall investment performance has been improved. The Company will maintain the current robust investment policy and adopt a more cautious investment plan to improve the benefit 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

Regarding the monetary policy of major central banks, in response to the raging outbreak of COVID-19, countries around the world have continued to maintain a loose monetary policy, leading to a fall in interest rates. The damage caused by the epidemic to the global economy is still difficult to estimate. The effect of global liquidity tightening will increase, and the Company will continue to closely observe the interest rate trend, adjust investment portfolios in due course, and formulate appropriate investment strategies, while paying attention to the trend of borrowing interest rates and adjusting borrowing strategies.

a. Retail of daily commodities and food

The net interest income (expenditure) in 2019 was NT\$46,824 thousand; the proportion to the industry's income and net profit before tax was around 2.22% and 7.89%, respectively; the Company will continue to observe the interest rate trend. Moreover, the Company has always maintained a good relationship with its correspondent banks, with financial stability and good loan credits; thus, it can also obtain a better interest rate for loans. It is expected that future interest rate changes will not have a significant impact on the Company's overall operations.

b. Life insurance

Net income from interest on investments in 2019 amounted to NT\$34,970,476 thousand, accounting for 19.48% and 647.60% 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\$52,000 only in 2019. Changes in market interest rates did not have any impact on relevant interest expenditures.

d. Information services

The net interest income (expenditure) for 2019 was NT\$(8,333) thousand, accounting for approximately 0.27% and 7.65% of the industry's income and net profit before tax, 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

As far as the foreign exchange market is concerned, the hedging trend caused by the impact of COVID-19 in a short period of time has led to the appreciation of the US dollar, and there is little chance of US dollar appreciation in the long term. In terms of the Taiwanese dollar, although the impact of the US-China trade has stabilized, the impact of the epidemic intensified in the short term will increase the volatility of the Taiwanese dollar. When the epidemic is alleviated later, coupled with the routine purchase of Taiwanese dollars by Taiwanese exporters and the input of foreign funds into Taiwan's stock market, it is expected that the upward pressure on the Taiwanese dollar will increase.

a. Retail of daily commodities and food

The products were mainly for domestic sales, and the profit on exchange caused by purchase was about NT\$1,058 thousand, accounting for around 0.01% and 0.18% of the industry's income and net profit before tax, respectively. The proportions were not large, so the impact of exchange rate changes was not significant.

b. Life insurance

The net exchange loss in 2019 was NT\$11,360,074 thousand, which accounted for around 6.33% and 210.37% of the industry's income and net profit before tax, respectively. The proportions were quite large. The hedging strategy will be appropriately adjusted according to the exchange rate trend to reduce the impact of exchange rate fluctuations on profitability.

c. Pharmaceuticals

In 2019, the exchange loss was NT\$9.97 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

The net exchange (loss) gain in 2019 was NT\$444 thousand, which accounted for about 0.01% and 0.41% of the industry's income and net profit before tax, respectively. The risk diversification approach was mainly adopted where foreign currencies were purchased at more advantageous positions to avoid potential risks. The Company will continue to monitor the state of global finances and compile information on changes in exchange rates to determine the trends of exchange rates. These trends may be used as a reference for taking response measures against changes in exchange rates.

C.Inflation

a.Retail of daily commodities and food

Statistics from the Directorate-General of Budget, Accounting, and Statistics (DGBAS) showed an annual CPI increase of 0.56%. Commodity prices remained stable in 2019. 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 weather factors in 2019 affected the output of vegetables and fruits. In addition, the output volume was lower, so the price of food increased to a larger extent. However, the price of international raw materials declined due to the slowdown of the global economy, alleviating the cost pressure on businesses. The Directorate-General of Budget, Accounting and Statistics predicted that the annual CPI in 2020 would rise moderately by 0.71% while the average figure predicted by various institutions was 0.98%. The price trend will remain stable, and the Company will continue to examine the inflation trend as a reference for purchase of assets to avoid the reduction of return on investment rate because of inflation.

c.Pharmaceuticals

Changes in product manufacturing costs and operating expenses amounted to NT\$1.42 billion in 2019. An increase of 2% in the inflation rate will increase expenses by NT\$28.4 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 canceled the endorsements/guarantees provided for the loan taken out by the company in a joint venture at the beginning of 2019 and lent a fund to the joint venture for its operation. However, in the middle of the year, the two parties of the joint venture increased the cash capital for the joint venture according to the investment ratio, to increase its working capital, while the Company took back the fund lent. Except for the aforementioned matter, the Company was not engaged in high-risk, high-leverage investments, other endorsements/guarantees, other loans, and derivative transactions. The Company's various investees were engaged in endorsements/guarantees and derivative transactions because of business needs; the details are 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. Please refer to page 233 of the Chinese annual report.

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

A. Retail of daily commodities and food

The daily commodities industry will step into the food and beverage and e-commerce industries to increase the number of existing members' visits and consumption, and will try to launch stores using different business models in different shopping areas. The Group's food and beverage and retail industry will introduce new business models or new service styles based on changes in market demands, and will continue to improve the taste of the existing products. The 2019 R&D amount was NT\$9,145 thousand, accounting for about 1.54% of the industry's net profit before tax. The estimated investment in R&D is approximately NT\$14,787 thousand in 2020.

B. Life insurance

In addition to providing customers with comprehensive life insurance products and services, the Company is committed to meeting customers' diverse needs for protection and financial management, keeping abreast of market trends, and responding to market demand; the Company will launch highly secured value-based products, that is development of health insurance or injury insurance products. By diversifying risks through the law of large numbers, stable mortality gain can be obtained. The development of long-term payment and US dollar-protected products enables the Company to earn a long-term and stable mortality gain and to launch US dollar-protected life insurance products, which can effectively reduce the Company's exchange rate hedging costs. The Company will develop insurance products for senior citizens and specific groups and will launch featured insurance products to avoid price competition. The Company will also develop secured regular term insurance products in response to low interest rate environment and get prepared for IFRS17.

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 2020 are expected to amount to NT\$29,114 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
CBD	Process improvement	June 2020	Key technology	Commercialization plans in the future will require an additional R&D investment of about NT\$50million.
MAoMe	Process improvement	June 2020	Key technology	
MAT9001	Process improvement	September 2020	Key technology	
LDX	Under development	December 2020	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\$150,000 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 : On December 24, 2019, the Financial Supervisory Commission (FSC) has formulated the "Regulations on Minimum Ratio of Life Insurance Product Death Benefit to Policy Value Reserve (Policy Account Value)," effective from July 1, 2020, requiring the ratio of the death benefit of life insurance products to the policy value reserve (policy account value) be above a certain value, to ensure that the insurance industry will bear a certain risk of death, to reduce the proportion of savings in life insurance products, and to increase the proportion of death benefits, so as to meet the original intention of insurance protection.

Impact and response measures:

From July 1, 2020, the death benefit to policy value reserve (policy account value) products with life insurance components shall comply with the minimum ratio as stipulated in the laws and regulations. The products with life insurance components to be sold will be reviewed and adjusted by the Company so as to comply with the laws and regulations.

- b. Changes in laws : On December 31, 2019, FSC amended the Regulations Governing Foreign Investments by Insurance Companies, mainly permitting the insurance industry to invest in Islamic fixed income securities issued by foreign issuers in Taiwan's professional international bond market, to replace issuance or guarantor credit rating with bond issuance rating for the fixed-income commodity credit rating requirements, and to invest in corporate bonds privately offered by foreign public companies in non-foreign stock or OTC markets.

Impact and response measures:

This amendment has increased the channels and flexibility of the insurance industry's capital utilization. Subject to the qualifications, conditions, and limits prescribed by the regulations, the Company will make relevant investments based on the assessment of the investment environment and conditions, and will adjust the internal operations and processes in accordance with the amendments.

C. Pharmaceuticals

The business operation is faced with numerous laws and regulations. The pharmaceutical industry is more subject to the pharmaceutical laws and regulations, such as the Pharmaceutical Affairs Act and Pharmaceutical Good Manufacturing Practice Regulations. As the regulatory environment continues to change and improve, each department of SCI Pharmtech has designated personnel to be responsible for management of changes in laws and regulations. In addition, APIs are related to the quality of preparations, so the Ministry of Health and Welfare implements source management and continuously promotes policies

related to API management to ensure that domestic API companies fully comply with PIC/S GMP standards. In 2019, the Ministry of Health and Welfare implemented a policy requiring Western medicine manufacturers set up an authorized person (AP) system, and SCI Pharmtech has submitted the authorized person in line with the principle of compliance.

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 line with the government's vision of "innovating digital technology and creating smart finance," the Company has actively built relevant data databases as a basis for the development of big data analysis. For the promotion of online insurance purchase, the Company will establish a marketing platform to enhance the effectiveness. As for the biometrics application, it will also discuss the introduction of other identity authentication mechanisms. In addition, the Company participated in the Life Insurance Association of the Republic of China's "Insurance Blockchain Alliance Technology Application and Sharing Platform" to discuss the provision of electronic policy certification and archiving mechanism, as well as the application of insurance blockchain.

In response to the evolution and innovation of information technology, the Company will continue to adopt various modern technologies to provide information services to support the its sales of highly secured value-based products, modernize professional sales personnel, develop integrated marketing, advance customer group management, and the implement fair hospitality, to improve customers' experience. As such, under the extensive application of information technology, the Company not only continuously improves its operational competitiveness, but also effectively manages various operational business risks in line with regulations and risk management requirements. Therefore, changes in technology and industry have 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 26 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 2020 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 2020, 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 2020, 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 26.93% of total purchases, while the largest customer accounted for 14.67% 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 2019.

(11) Impacts, risks, and response measures pertaining to changes in ownership: There was no change in ownership in 2019.

(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, 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 194 to 195 of the Chinese annual report.

This also includes any major litigious, non-litigious, or administrative disputes of the Company or its Directors, 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 2019 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, 2019)

Controlling Company	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage
Mercuries & Associates Holding, Ltd.	Mercuries & Associates, Ltd.	100%	Family Shoemart Co., Ltd	13.33%		
			Mercuries Leisure Co., Ltd.	2.81%		
			Mercuries Life Insurance Co., Ltd.	0.05%		
	Simple Mart Retail Co., Ltd.	68.53%	Simple Mart Plus Co., Ltd.	100%		
	Mercuries Harvest Co., Ltd.	100%	Mercuries Leisure Co., Ltd.	0.97%		
			Mercuries Leisure Co., Ltd.	9.49%		
	Mercuries F&B Co., Ltd.	93.63%	Mercuries FoodService Co., Ltd	45.74%		
			Mercuries Life Insurance Co., Ltd.	0.58%		
			Mercuries F&B Consulting Co., Ltd.	97%		
			Mercuries Food Services Japan Ltd.	100%		
	Mercuries Life Insurance Co., Ltd.	41.51%	Mercuries Life Insurance Co., Ltd.	2.69%		
			Mercuries Leisure Co., Ltd.	5.23%		
			SCI Pharmtech Inc. (continued at Part 2)	1.83%		
	Mercury Fu Bao Co., Ltd.	100%	Asiandawn Venture Inc	74.34%		
			Mercuries FoodService Co., Ltd	7.62%		
			Hipact Tech Inc.	5.17%		
	Mercuries Data Systems Ltd. (continued at Part 1)	53.44%				
	Mercuries General Media, Inc.	86.96%				
	Mercuries Leisure Co., Ltd.	63.14%				
	Hipact Tech Inc.	8.61%				
	Mercuries Liquor & Food Co., Ltd.	100%	Shang Rih Co., Ltd.	100%	Mercuries Liquor& Food Japan Co., Ltd.	100%
	Mercuries Furniture Co., Ltd.	100%	Mercuries Life Insurance Co., Ltd.	0.49%		
	SCI Pharmtech Inc. (continued at Part 2)	31.75%				
	M. T. I. CIGARS CO., LTD.	100%	Mercuries FoodService Co., Ltd	21.33%		
	Mercuries Insurance Agency	100%				
	Tastynoodle Co., Ltd	100%				
	Family Shoemart Co., Ltd	86.67%	Mercuries Rich	71.43%		
	Mercuries FoodService Co., Ltd	25.31%	Mercuries Rich	28.57%		
	Asiandawn Venture Inc.	16.62%				



# Organization structure of affiliated companies - continued (December 31, 2019)

Controlling Company	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage	Affiliated Company	Shareholding Percentage
Mercuries Data Systems Ltd. (MDS) (continued at Part 1)	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.	72.80%				
	Mercuries Information Systems International Co., Ltd.	100%				
SCI Pharmtech Inc. (continued at Part 2)	Yushan Pharmaceuticals, Inc.	100%				

## 2. Basic information on affiliated companies

Unit: Thousand NTD ; December 31, 2019

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	400,000	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	600,000	Retail of daily commodities and food, alcohols, beverages, tobacco, daily necessities, cooked food, fresh foods, medical supplies (excluding Chinese medicine and Western medicine), infant products, as well as 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.
Mercuries F&B Co., Ltd.	December 7, 1996	11F, No. 145, Section 2, Jianguo North Road, Taipei City	426,690	Retail business of fast food chains, including pizza, fried chicken, all kinds of noodles, rice, fried pork chops, and Japanese donburi.
Mercuries Life Insurance Co., Ltd.	June 12, 1993	3F, No. 6, Section 3, Minquan East Road, Zhongshan 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	Liquor, cigar, and cigarette trading and agency.
Mercuries Food Service 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.

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business or Products
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.
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.
Mercuries Furniture Co., Ltd.	January 4, 2001	18F, No. 145, Section 2, Jianguo North Road, Taipei City	130,000	Furniture Retailing and Renovation
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
M. T. I. CIGARS CO., LTD.	December 7, 2006	11F, No. 145, Section 2, Jianguo North Road, Taipei City	32,092	Liquor, cigar, and cigarette trading and agency.
Mercuries Insurance Agency	November 28, 2008	12F-8, No. 2, Lane 150, Section 5, Xinyi Road, Taipei City	5,000	Insurance agency.
Tastynoodle 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.
Simple Mart Plus Co., Ltd.	December 13, 2017	B1, No. 4, Section 3, Minquan East 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.
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.
Mercuries Rich	August 4, 2008	Room 1008, No. 1211 Changde Road, Putuo District, Shanghai City	USD10.5 million	Daily commodities and food retail.

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business or Products
Yushan Pharmaceuticals, Inc.	June 24, 2013	No. 61, Lane 309, Haihu North Road, Luzhu District, Taoyuan City	351,900	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.
Mercuries Liquor & Food Japan 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.	February 14, 2019	11 F, No. 145, Section 2, Jianguo North Road, Zhongshan District, Taipei City	20,000	Retail of food and beverages and consulting services.

### 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.	Retail of daily commodities and food, alcohols, beverages, tobacco, daily necessities, cooked food, fresh foods, medical supplies (excluding Chinese medicine and Western medicine), infant products, as well as 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.	Retail business of fast food chains, including pizza, fried chicken, all kinds of noodles, rice, fried pork chops, and Japanese donburi.
Mercuries Life Insurance Co., Ltd.	Personal insurance.
Mercury Fu Bao Co., Ltd.	Liquor, cigar, and cigarette trading and agency.
Mercuries Food Service 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.
Mercuries Liquor & Food Co., Ltd.	Wholesale of tobacco, alcohol, food and beverages.
Mercuries Furniture Co., Ltd.	Furniture Retailing and Renovation
SCI Pharmtech Inc.	Processing, production, and sale of active pharmaceutical ingredients (APIs) and API intermediates.
M. T. I. CIGARS CO., LTD.	Liquor, cigar, and cigarette trading and agency.
Mercuries Insurance Agency	Insurance agency.
Tastynoodle Co., Ltd	Investment holding.
Family Shoemart Co., Ltd	Investment holding.
Mercuries FoodService Co., Ltd	Investment holding.
Asiandawn Ventures Inc.	Investment holding.
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.
Shang Rih Co., Ltd.	Wholesale of tobacco, alcohol, 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.
Mercuries Liquor & Food Japan Co., Ltd.	Trade.
Mercuries F&B Consulting Co., Ltd.	Retail of food and beverages and consulting services.

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

Unit: Thousand shares; % December 31, 2019

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Mercuries & Associates, Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	40,000	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		
Simple Mart Retail Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	41,119	68.53%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Li, Wong, Wei-Chyun and Chiu and Kuang-Lung		
	Director	Representative(s) of institutional shareholders of Sumitomo Corporation: Shinji Sumiya and Yuma Miyata	13,200	22.00%
	Independent director	Lin, Tsay-Lin, Chen, Yen-Hsun and Chen, Wen-Jeoung (Note1)	0	--
Mercuries Harvest Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	9,000	100.00%
Mercuries F&B Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	39,950	93.63%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang, Hsien-Chang (Note2) and Lin, Chien-Hsiung (Note2)		
	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 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	1,415	0.06%
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 Food Service 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 and 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 HOLDING, LTD.: Lin, Chien-Hsiung, Wang, Chih-Hua and 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	--
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.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	13,000	100.00%
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%
M. T. I. CIGARS CO., LTD.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	3,209	100.00%
Mercuries Insurance Agency	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 Hsieh, Ming-Chin		
	Supervisor	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Yang, Li-Yun		
	General Manager	Hsieh, Ming-Chin	--	--
Tastynoodle 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	--	--
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		
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		



Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Shang Rih Co., Ltd.	Director	Representative(s) of institutional shareholders of Mercuries Liquor & Food Co., Ltd.: Chen, Kuang-Hung	--	100.00%
Mercuries Rich	Chairman/ Executive Director	Representative(s) of institutional shareholders of Family Shoemart Co., Ltd & Mercuries Food Service Co., Ltd: Wang, Hsien-chang	--	71.43% / 28.57%
	Supervisor	Zhu Jie	--	
Yushan Pharmaceuticals, Inc.	Chairman	Representative(s) of institutional shareholders of Yushan Holding Universal Ltd.: Wong, Wei-Chyun	35,190	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		
Mercuries Liquor & Food Japan Co., Ltd.	Director	Chen, Kuang-Hung	0	--
Mercuries F&B Consulting Co., Ltd.	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	--

Note(1): Chen, Wen-Jeoung has resigned as an independent director on April 28, 2020.

Note(2): Chen, Shiang-Li and Wong, Wei-Chyun have been appointed as directors from April 1, 2020.

## 5. Business operating conditions of the affiliated enterprises

Unit:Thousand NT\$ , Thousand US\$ , Thousand JPY\$ , December 31, 2019

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.	400,000	2,686,720	2,006,537	680,183	3,779,969	146,135	104,464	2.61
Simple Mart Retail Co., Ltd.	600,000	5,006,760	3,831,320	1,175,440	12,080,447	67,770	42,121	0.70
Mercuries Harvest Co., Ltd.	90,000	151,042	116	150,926	0	(125)	2,680	0.30
Mercuries F&B Co., Ltd.	426,690	2,645,129	1,647,014	998,114	4,637,058	463,077	390,013	9.40
Mercuries Life Insurance Co., Ltd.	23,719,715	1,259,908,262	1,219,699,162	40,209,100	179,488,232	5,268,770	5,423,446	2.29
Mercury Fu Bao Co., Ltd.	2,362,600	3,536,555	64,113	3,472,442	179,806	(55,413)	256,063	1.08
Mercuries Food Service Japan Ltd.	97,529	22,294	9,497	12,797	16,758	(14,125)	(13,776)	--
Mercuries Data Systems Ltd.	1,843,145	4,497,807	2,311,638	2,186,169	3,006,533	83,433	115,872	0.63
Mercuries General Media, Inc.	48,300	114,999	8,079	106,920	24,688	2,437	7,110	1.47
Mercuries Leisure Co., Ltd	711,000	672,810	100	672,710	0	(2,325)	(2,270)	(0.03)
Hipact Tech Inc.	2,000	10,484	1,112	9,372	383	104	824	4.12
Mercuries Liquor & Food Co., Ltd.	200,000	257,050	116,775	140,275	450,332	(45,821)	(35,021)	(1.75)
Mercuries Furniture Co., Ltd.	130,000	510,438	385,900	124,538	570,768	(26,659)	(4,969)	(0.38)
SCI Pharmtech Inc.	794,853	4,081,377	606,737	3,474,640	2,355,747	697,849	571,101	7.19
M. T. I. CIGARS CO., LTD.	32,092	28,276	102	28,174	0	(110)	(2,245)	(0.70)
Mercuries Insurance Agency	5,000	27,541	3,389	24,151	153,541	14,027	11,194	22.39
Tastynoodle Co., Ltd	USD 5,000	803	0	803	0	0	(2,455)	--
Family Shoemart Co., Ltd	USD 7,500	14,612	0	14,612	0	0	(8,079)	--
Mercuries FoodService Co.,Ltd	USD 19,678	27,240	2	27,238	0	0	(10,506)	--
Asiandawn Ventures Inc.	USD 28,631	0	0	0	0	(51)	6,682	--
Simple Mart Plus Co., Ltd.	60,000	57,871	9,131	48,740	27,864	(5,990)	(5,944)	(0.99)
Mercuries Data Systems International Ltd.	540,299	249,617	1,966	247,651	0	0	(25,886)	--
Mercuries Information Systems International Co., Ltd.	3,000	1,685	40	1,645	175	(46)	(45)	(0.15)
Shang Rih Co., Ltd.	6,000	4,767	0	4,767	0	(67)	925	--
Mercuries Rich	USD 10,500	24,482	4,026	20,456	0	(8,934)	(11,455)	--

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\$)
Yushan Pharmaceuticals, Inc.	351,900	349,823	100	349,723	0	(729)	(2,177)	(0.06)
Core Info Tech Limited (Hong Kong)	543,000	248,529	0	248,529	0	0	(25,891)	--
Mercuries Soft (Nanjing) Ltd.	678,126	259,390	14,733	244,657	32,593	(28,409)	(25,909)	--
Mercuries Liquor & Food Japan Co., Ltd.	JPY 7,500	29,369	25,287	4,082	90,317	1,136	992	--
Mercuries F&B Consulting Co., Ltd.	20,000	24,572	6,534	18,037	378	(2,110)	(1,963)	(0.98)

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 233 of the Chinese annual report.
- (2) Capital loans of the affiliated enterprises: Refer to page 232 of the Chinese annual report.
- (3) Derivatives trading of the affiliated enterprises: Refer to page 298 of the Chinese annual report.

## (2) Consolidated financial statements of affiliated enterprises

### Statement

We hereby state that for 2019 (from January 1, 2019 to December 31, 2019), 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 27, 2020

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, 2020

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 2019 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%	2019	—	—	—	2,649 \$57,345	None	None	None
				Up to the publication date of this report in 2020	—	—	—	2,649 \$54,172	None	None	None
Mercuries Harvest Co., Ltd.	90,000	Disposal funds	100.00%	2019	—	—	—	5,117 \$110,786	None	None	None
				Up to the publication date of this report in 2020	—	—	—	5,117 \$104,643	None	None	None
Mercury Fu Bao Co., Ltd.	2,362,600	Disposal funds	100.00%	2019	—	—	—	39,986 \$865,704	None	None	None
				Up to the publication date of this report in 2020	—	—	—	39,986 \$817,714	None	None	None

4. Other items that must be included

(1) 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	✓		✓	✓	✓	✓	✓	✓	
Wong,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.

Wong, 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 2019 and up to the printing date of this annual report.

**Mercuries & Associates Holding, Ltd.**

**Chairman: Chen, Shiang-Li**